



ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Franklin, Virginia

For the Period Ended June 30, 2024
Prepared by the Department of Finance



City of Franklin, Virginia

Table of Contents

Year Ended June 30, 2024

	Pages
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-Wide Financial Statements	
Exhibit 1 Statement of Net Position	14
Exhibit 2 Statement of Activities	15
Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16-17
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18-19
Exhibit 5 Statement of Net Position – Proprietary Funds	20
Exhibit 6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	21
Exhibit 7 Statement of Cash Flows – Proprietary Funds	22
Exhibit 8 Statement of Fiduciary Net Position – Custodial Funds	23
Exhibit 9 Statement of Changes in Fiduciary Net Position – Custodial Funds	24
Notes to the Financial Statements	25-123
Required Supplementary Information	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund, Virginia Public Assistance Fund, and Debt Service Fund	124-126
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	127-128
Schedule of Employer's Share of Net Pension Liability – VRS Teacher Employee Retirement Plan	129

Schedule of Employer Contributions	130
Notes to Required Supplementary Information	131-132
Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Plan	133
Schedule of Employer Contributions – Group Life Insurance OPEB Plan	134
Notes to Required Supplementary Information – GLI OPEB	135-136
Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios School Board General Employees	137
Schedule of Employer Contributions – HIC OPEB School Board General Employees	138
Notes to Required Supplementary Information – HIC OPEB School Board General Employees	139
Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) – Teacher	140
Schedule of Employer Contributions Health Insurance Credit – Teacher	141
Notes to Required Supplementary Information – HIC OPEB – Teacher	142
Schedule of Employer's Share of Net OPEB Liability Line of Duty Act Program (LODA)	143
Schedule of Employer Contributions Line of Duty Act Program (LODA)	144
Notes to Required Supplementary Information – LODA OPEB	145
Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) – City	146
Schedule of Employer Contributions Virginia Local Disability Program – City	147
Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) – School Board General Employees	148
Schedule of Employer Contributions Virginia Local Disability Program – School Board General Employees	149
Notes to Required Supplementary Information – VLDP OPEB	150
Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) - Teacher	151
Schedule of Employer Contributions Virginia Local Disability Program - Teacher	152
Notes to Required Supplementary Information – VLDP OPEB Teacher	153
Schedule of Changes in the Political Subdivision's Total OPEB Liability and Related Ratios – Retiree Health Insurance	154
Schedule of Employer Contributions for OPEB Retiree Health Insurance	155

Schedule of Changes in the Political Subdivision's Total OPEB Liability and Related Ratios – Retiree Health Insurance Schools	156
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Notes to Required Supplementary Information – Retiree Health Insurance Schools	157
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Other Supplementary Information

Combining and Individual Nonmajor Fund Statements

Primary Government

Schedule 1	Combining Balance Sheet – Nonmajor Special Revenue Funds	158
Schedule 2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	159
Schedule 3	Combining Statement of Fiduciary Net Position – Custodial Funds	160
Schedule 4	Combining Statement of Changes in Fiduciary Net Position – Custodial Funds	161

Discretely Presented Component Unit – School Board

Schedule 5	Combining Balance Sheet	162
Schedule 6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	163
Schedule 7	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	164

Discretely Presented Component Unit – Industrial Development Authority

Schedule 8	Statement of Net Position	165
Schedule 9	Statement of Revenues, Expenses, and Changes in Net Position	166
Schedule 10	Statement of Cash Flows	167

Supporting Schedules

Schedule 11	Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund	168-170
Schedule 12	Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	171-174
Schedule 13	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – CSA Fund, Regional Fire Training, Foundation Grants, Western Tidewater Home Consortium Fund, Madison Street Project Fund, Economic Development Fund, and Laurel Street Project Fund	175-177

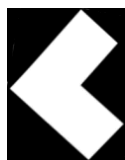
OTHER INFORMATION

Table 1	Government-Wide Revenues	178
Table 2	Government-Wide Expenses by Function	179
Table 3	General Governmental Revenues by Source	180

	Pages
Table 4 General Governmental Expenditures by Function	181
Table 5 Fund Balances – Governmental Funds	182
Table 6 Changes in Fund Balance – Governmental Funds	183
Table 7 Net Position by Component	184
Table 8 Change in Net Position	185-186
Table 9 Property Tax Levies and Collections	187
Table 10 Assessed Value of Taxable Property	188
Table 11 Property Tax Rates	189
Table 12 Ratio of Net General Bonded Debt to Assessed Value	190
Table 13 Legal Debt Margin Information	191
Table 14 Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures	192
Table 15 Ratios of Outstanding Debt by Type	193
 COMPLIANCE (SINGLE AUDIT) SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	194-195
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	196-198
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	199-200
Schedule of Expenditures of Federal Awards	201
Notes to Schedule of Expenditures of Federal Awards	202
Schedule of Findings and Questioned Costs	203

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Franklin, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Component Unit, The School Board of the City of Franklin, Virginia, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the Component Unit - School Board as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Unit, The School Board of the City of Franklin, Virginia, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024, the City adopted new accounting guidance, GASB Statement No. 99, Omnibus and No. 100, Accounting Changes and Error Corrections. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 124-126, and 127-157 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, component unit financial statements, schedule of revenues and expenses—budget to actual, and schedule of expenditures of awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, component unit financial statements, schedule of revenues and expenses—budget to actual, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. Federal expenditures related to the Component Unit, School Board, are reported in a separate SEFA audited by other auditors.

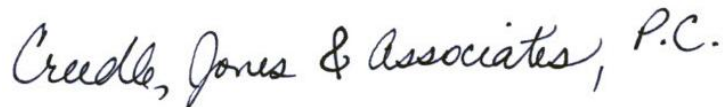
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2025, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Virginia's internal control over financial reporting and compliance.



Creddie, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year July 1, 2023 – June 30, 2024

This section of the City of Franklin, Virginia's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2024. To enhance your understanding of the City's financial performance, please read this discussion and analysis in conjunction with the transmittal letter in the front of this report, the City's basic financial statements, and supplementary information following this section.

Financial Highlights

General Fund

- The City's real estate tax rate is \$1.03 per \$100 of assessed valuation.
- Overall, General Fund revenues (excluding other financing sources) decreased by \$4,178,673 from FY 2023 from \$33,499,360 to \$29,320,687.
- At the close of FY 2024, unassigned fund balance for the General Fund was \$11,080,837. At the close of FY 2023, the unassigned fund balance of the General Fund was \$13,500,196. This represents a decrease of \$2,419,359 or 17.9%.
- The composition of the \$21,246,395 fund balance at the end of the year was 52% unassigned, 5% nonspendable, 36% restricted, 3% committed and 4% assigned.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$824,635 under expenditures and financing uses. This is after making a \$4,638,893 payment to Franklin City Schools for the local appropriation and transfers of \$2,143,136 for School Capital Projects, \$63,919 to Enterprise Funds, \$935,114 to Special Revenue Funds, and \$2,000,000 to the Debt Service Fund. Expenditures (less transfers) increased by \$1,171,194 when compared to FY 2023.

Governmental Activities

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$27,564,592. Of this amount, \$12,401,524 is unrestricted, \$12,433,555 is restricted for capital projects, and \$9,325 is restricted for other post-employment benefits. The residual \$2,729,513 relates to net investment in capital assets and is not available for expenditure.
- The City's total net position decreased by \$3,471,247 from the prior year. Of this amount, a decrease of \$2,720,114 is related to governmental activities and a decrease of \$751,133 is attributed to business-type activities.
- The City's total outstanding general obligation debt (exclusive of premiums) at June 30, 2024 was \$34,450,064. This includes \$3,806,200 in business-type activities debt and \$30,643,864 in general government activities.

Overview of the Financial Statements

This Annual Comprehensive Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. The financial section consists of three (3) sections: management's discussion and analysis, basic financial statements, and supplementary information. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison, and enhance the City's accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all City assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and condition of the City's infrastructure. The *Statement of Activities* presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the ***Statement of Net Position*** and the ***Statement of Activities***, the City is divided into the following:

- Governmental activities – The City's basic municipal services are reported here and include general government administration, judicial administration, public safety, highways and streets, community development, public health, and parks, recreation, and cultural. These activities are mainly supported by taxes and intergovernmental revenue.
- Business-type activities – The City charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the City reported in this section include Water and Sewer Utility, Electric Utility, Solid Waste, and Airport operations. While the Solid Waste, Water and Sewer, and Electric Utility Funds are self-supporting, the City provides general fund support for operation of the Airport.
- Component Units – The government-wide financial statements include not only the City itself (known as the Primary Government), but also the following legally separate component units for which the City is financially accountable for providing operating and capital funding, the City of Franklin Public Schools and the City of Franklin Industrial Development Authority. Financial information for these component units is reported separately from the financial information presented for the primary government and can be found in the "Other Supplementary Information" section of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. In the Basic Financial Statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus here is on (1) inflows and outflows of cash and other financial resources that can be readily converted into cash and (2) the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer resources that can be spent in the short term to finance City operations. Because this information does not address the long-term focus of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Virginia Public Assistance, Capital Projects, and Debt Service Funds. Data from the other governmental funds are combined into a single aggregate presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided.

- **Proprietary Funds** – The City maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electrical, solid waste, and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on each fund.
- **Fiduciary Funds** – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting for fiduciary funds is similar to the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City, including financial information of the School Board and Industrial Development Authority component units. Supplementary information follows the Notes to the Financial Statements.

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$45,720,317.

Summary of Net Position
As of June 30, 2024 and 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets						
Current and other assets	\$ 33,179,520	\$ 30,593,696	\$ 12,243,868	\$ 14,257,840	\$ 45,423,388	\$ 44,851,536
Capital assets (net)	<u>34,186,673</u>	<u>30,088,564</u>	<u>12,765,814</u>	<u>12,247,125</u>	<u>46,952,487</u>	<u>42,335,689</u>
Total Assets	<u>67,366,193</u>	<u>60,682,260</u>	<u>25,009,682</u>	<u>26,504,965</u>	<u>92,375,875</u>	<u>87,187,225</u>
Deferred Outflows of Resources	<u>3,123,388</u>	<u>3,705,082</u>	<u>302,614</u>	<u>380,919</u>	<u>3,426,002</u>	<u>4,086,001</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 70,489,581</u>	<u>\$ 64,387,342</u>	<u>\$ 25,312,296</u>	<u>\$ 26,885,884</u>	<u>\$ 95,801,877</u>	<u>\$ 91,273,226</u>
Liabilities						
Current and other liabilities	\$ 5,321,262	\$ 2,257,167	\$ 2,331,106	\$ 2,662,743	\$ 7,652,368	\$ 4,919,910
Long-term liabilities	<u>35,433,128</u>	<u>28,817,386</u>	<u>4,591,826</u>	<u>4,907,157</u>	<u>40,024,954</u>	<u>33,724,543</u>
Total Liabilities	<u>40,754,390</u>	<u>31,074,553</u>	<u>6,922,932</u>	<u>7,569,900</u>	<u>47,677,322</u>	<u>38,644,453</u>
Deferred Inflows of Resources	<u>2,170,599</u>	<u>3,028,083</u>	<u>233,639</u>	<u>409,126</u>	<u>2,404,238</u>	<u>3,437,209</u>
Net Position						
Net investment in capital assets	<u>2,729,513</u>	<u>7,803,909</u>	<u>10,613,165</u>	<u>7,896,054</u>	<u>13,342,678</u>	<u>15,699,963</u>
Restricted	<u>12,433,555</u>	<u>1,578,975</u>	<u>1,671,493</u>	<u>1,797,488</u>	<u>14,105,048</u>	<u>3,376,463</u>
Unrestricted	<u>12,401,524</u>	<u>20,901,822</u>	<u>5,871,067</u>	<u>9,213,316</u>	<u>18,272,591</u>	<u>30,115,138</u>
Total Net Position	<u>27,564,592</u>	<u>30,284,706</u>	<u>18,155,725</u>	<u>18,906,858</u>	<u>45,720,317</u>	<u>49,191,564</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 70,489,581</u>	<u>\$ 64,387,342</u>	<u>\$ 25,312,296</u>	<u>\$ 26,885,884</u>	<u>\$ 95,801,877</u>	<u>\$ 91,273,226</u>

A large portion of the City's total net position of \$45,720,317 is its \$13,342,678 net investment in capital assets, less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is comprised of \$18,272,591 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$12,433,555 in restricted assets for capital projects and other post-employment benefits for the governmental activities and \$1,671,493 is restricted for capital projects in the business-type activities.

The City's financial position includes \$18,272,591, or 40% of the net position, as unrestricted net position comprised of \$12,401,524 from governmental activities and \$5,871,067 from business-type activities are available to allow the City to provide obligations to citizens and creditors.

Statement of Activities

The following table indicates the changes in the net position of the governmental and business-type activities:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,140,501	\$ 2,083,658	\$ 21,838,972	\$ 22,412,717	\$ 23,979,473	\$ 24,496,375
Operating grants and contributions	6,506,944	10,619,015	54,582	212,835	6,561,526	10,831,850
General Revenues						
Real estate and personal property taxes	9,324,912	8,835,132	-	-	9,324,912	8,835,132
Other local taxes	7,389,123	7,459,894	-	-	7,389,123	7,459,894
Revenue sharing from counties	868,318	1,113,098	-	-	868,318	1,113,098
Grants and contributions not restricted to specific programs	1,430,533	1,444,871	-	-	1,430,533	1,444,871
Unrestricted revenues from use of money and property	1,403,890	621,055	47,058	50,179	1,450,948	671,234
Miscellaneous	706,639	670,190	19,248	15,544	725,887	685,734
Total Revenues	29,770,860	32,846,913	21,959,860	22,691,275	51,730,720	55,538,188
Expenses						
General government administration	3,743,699	1,955,637	-	-	3,743,699	1,955,637
Judicial administration	440,200	438,519	-	-	440,200	438,519
Public safety	11,387,581	8,373,694	-	-	11,387,581	8,373,694
Public works	2,936,356	5,339,201	-	-	2,936,356	5,339,201
Health and welfare	3,741,830	3,430,755	-	-	3,741,830	3,430,755
Education	8,238,374	4,330,237	-	-	8,238,374	4,330,237
Parks, recreation, and cultural	1,234,105	864,291	-	-	1,234,105	864,291
Community development	1,364,677	1,188,198	-	-	1,364,677	1,188,198
Interest and fees on long-term debt	1,140,226	715,683	-	-	1,140,226	715,683
Water and sewer	-	-	3,280,762	3,022,216	3,280,762	3,022,216
Electric	-	-	15,948,839	15,354,566	15,948,839	15,354,566
Solid waste	-	-	1,292,248	1,210,746	1,292,248	1,210,746
Airport	-	-	453,070	802,190	453,070	802,190
Total Expenses	34,227,048	26,636,215	20,974,919	20,389,718	55,201,967	47,025,933
Excess (Deficiency) Before Transfers	(4,456,188)	6,210,698	984,941	2,301,557	(3,471,247)	8,512,255
Transfers	1,736,074	1,001,562	(1,736,074)	(1,001,562)	-	-
Increase (Decrease) in Net Position	(2,720,114)	7,212,260	(751,133)	1,299,995	(3,471,247)	8,512,255
Beginning Net Position	30,284,706	23,072,446	18,906,858	17,606,863	49,191,564	40,679,309
Ending Net Position	\$ 27,564,592	\$ 30,284,706	\$ 18,155,725	\$ 18,906,858	\$ 45,720,317	\$ 49,191,564

Governmental Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$9,324,912, an increase from the previous year at \$8,835,132. The City's real estate tax rate is \$1.03 per \$100 of assessed valuation. Personal property was taxed at \$4.50 per \$100 of assessed value and, represents \$2,470,658 of total general property taxes (excludes tax relief portion of \$1,048,897). Other local taxes, the City's second largest revenue source totaled \$7,389,123, a decrease from the previous year at \$7,459,894. Operating grants and contributions comprised the City's third largest revenue source, totaled \$6,506,944, a decrease from the previous year at \$10,619,015 due to the wrap up of ARPA funding.

Revenue Sharing from Counties of \$868,318 represents revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is a decrease from FY 2023 revenue sharing payments of \$1,113,098. Charges for services represent revenue received primarily from ambulance services and administration reimbursements from certain General Fund costs of the Enterprise Funds.

The City's expenses for governmental activities cover a wide range of services as seen in the above table. Overall, expenses for governmental activities increased \$7,590,833. The table below provides an overview of program expenses and related revenues.

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,743,699	\$ (2,110,377)	\$ 1,955,637	\$ 4,282,241
Judicial administration	440,200	(440,200)	438,519	(434,423)
Public safety	11,387,581	(9,040,430)	8,373,694	(7,083,830)
Public works	2,936,356	(789,766)	5,339,201	(3,032,277)
Health and welfare	3,741,830	(1,367,717)	3,430,755	(633,434)
Education	8,238,374	(8,238,374)	4,330,237	(4,330,237)
Parks, recreation, and cultural	1,234,105	(1,209,966)	864,291	(818,634)
Community development	1,364,677	(1,242,547)	1,188,198	(1,167,265)
Interest on long-term debt	<u>1,140,226</u>	<u>(1,140,226)</u>	<u>715,683</u>	<u>(715,683)</u>
Total	<u>\$ 34,227,048</u>	<u>\$ (25,579,603)</u>	<u>\$ 26,636,215</u>	<u>\$ (13,933,542)</u>

Business-Type Activities

Business-type activities are made up of the electric, solid waste, water and sewer, and airport fund activities.

Business-type activities decreased the City's net position by \$751,133. Total operating revenues for business-type activities decreased from FY 2023 by \$731,415. Total business-type expenses increased by \$585,201.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental and Proprietary Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$30,366,381, compared to \$28,459,182 last year. The various components are discussed below:

- **General Fund.** The general fund is the chief operating fund of the City. At the conclusion of the current fiscal year, the combined fund balance totaled \$21,246,395, which reflects a \$824,635 decrease over the prior year ending fund balance of \$22,071,030. Of this balance, \$11,080,837 or 52%, represents unassigned funds, which are available for operations of the government. The remaining \$10,165,558 is allocated among nonspendable, restricted, committed, and assigned fund balances. The unassigned fund balance expressed as a percentage of total fund expenditures is a useful measure of the general fund's liquidity. For the fiscal year ended June 30, 2024, this percentage totaled 38%, a decrease over the previous year.
- **Virginia Public Assistance Fund.** The Virginia Public Assistance (VPA) Fund accounts for revenues and expenditures related to services provided by the Department of Social Services (DSS). The VPA fund ended the year with \$914,253 in total fund balance, an increase of \$304,349 from 2023.
- **Capital Projects Fund.** The capital projects fund accounts and report financial resources that are restricted, committed or assigned to expenditure for capital outlays for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the unassigned fund balance deficit totaled \$2,149,018, a decrease of \$5,380,656.
- **Debt Service Fund.** The debt service fund has a restricted fund balance of \$10,568,760, which represents funds purposed for capital projects with a deficit of \$1,264,400 of unrestricted fund balance that represented a pooled cash deficit. This is an increase of \$7,929,208 from the prior year due to new debt funding issued in FY24 for school construction projects.
- **Proprietary Funds.** The City's Proprietary Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The City's enterprise funds account for its water and sewer, solid waste, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$18,155,725, a decrease of \$751,133 over the prior balance of \$18,906,858.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Water and Sewer Fund, Solid Waste Fund, Electric Fund, Airport Fund, and various Special Revenue Funds. However, the Consolidated Grant Funds, Fiduciary Funds, and the Capital Projects Fund are excluded from the annual operating budget.

During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied from the final budgeted amount for the General Fund.

The following table provides an overview of the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2024 and 2023

	<u>2024</u>			<u>2023</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 9,036,936	\$ 9,136,936	\$ 9,437,150	\$ 8,749,804	\$ 8,968,104	\$ 8,687,058
Other	13,136,567	13,289,610	14,213,216	12,252,972	13,519,503	14,836,615
Intergovernmental	<u>4,767,226</u>	<u>5,423,136</u>	<u>5,670,321</u>	<u>4,697,299</u>	<u>10,126,680</u>	<u>9,975,687</u>
Total	26,940,729	27,849,682	29,320,687	25,700,075	32,614,287	33,499,360
Expenditures	<u>27,280,942</u>	<u>34,085,282</u>	<u>28,812,277</u>	<u>25,493,116</u>	<u>34,333,627</u>	<u>27,641,083</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,213)	(6,235,600)	508,410	206,959	(1,719,340)	5,858,277
Other Financing Sources (Uses)						
Lease liabilities issued	-	-	153,661	-	-	62,024
Issuance of debt	-	4,000,000	1,855,470	-	2,000,000	-
From unappropriated funds	-	-	-	150,000	4,834,932	-
Transfers in	1,994,993	1,994,993	1,799,993	1,994,994	3,994,993	3,994,993
Transfers (out)	<u>(2,201,335)</u>	<u>(6,531,572)</u>	<u>(5,142,169)</u>	<u>(2,351,953)</u>	<u>(9,182,149)</u>	<u>(4,152,271)</u>
Total	(206,342)	(536,579)	(1,333,045)	(206,959)	1,647,776	(95,254)
Net Change in Fund Balance Before Transfer from Surplus	(546,555)	(6,772,179)	(824,635)	-	(71,564)	5,763,023
Transfer from Surplus Funds	<u>546,555</u>	<u>6,772,179</u>	<u>-</u>	<u>-</u>	<u>71,564</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (824,635)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,763,023</u>

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$6,804,340 representing an increase in appropriations. Some major variances are due to the following appropriation and anticipated expenditure made during FY 2024:

- \$1,357,235 appropriation for emergency management service for equipment
- \$4,330,237 appropriations related to FY24 delayed projects transferred to other funds

Actual total revenues were above the amended budget by \$1,471,005, primarily due to interest earned on deposit accounts.

Expenditures were below the amended budget by \$5,273,005 or 15.47%, due to cost savings resulting from unused appropriations for general expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totaled \$46,952,487 net of accumulated depreciation and amortization. Net capital assets increased \$4,098,109 in the governmental activities and increased \$518,689 in the proprietary activities. Additional details on school board capital assets can be located in the notes to the financial statements. See Note 7 – Capital Assets.

The following table summarizes capital assets, net of depreciation:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2023</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2024</u>
Land	\$ 4,788,275	\$ -	\$ 4,788,275
Construction in process	4,039,051	3,826,846	7,865,897
Buildings	18,926,091	-	18,926,091
Improvements other than buildings	3,027,312	973,743	4,001,055
Machinery and equipment	11,048,387	1,302,916	12,351,303
Infrastructure	<u>11,292,216</u>	<u>-</u>	<u>11,292,216</u>
Total Capital Assets	53,121,332	6,103,505	59,224,837
Less: Accumulated depreciation	<u>(23,127,308)</u>	<u>(2,114,356)</u>	<u>(25,241,664)</u>
Total Capital Assets, Net	<u>\$ 29,994,024</u>	<u>\$ 3,989,149</u>	<u>\$ 33,983,173</u>
Lease assets	\$ 138,767	\$ -	\$ 138,767
Less: Accumulated amortization	<u>(44,227)</u>	<u>(16,377)</u>	<u>(60,604)</u>
Lease Assets, Net	<u>\$ 94,540</u>	<u>\$ (16,377)</u>	<u>\$ 78,163</u>
SBITA assets	\$ -	\$ 153,661	\$ 153,661
Less: Accumulated amortization	<u>-</u>	<u>(28,324)</u>	<u>(28,324)</u>
SBITA Assets, Net	<u>\$ -</u>	<u>\$ 125,337</u>	<u>\$ 125,337</u>

Business-Type Activities

	<u>Balance July 1, 2023</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2024</u>
Land	\$ 179,258	\$ -	\$ 179,258
Construction in progress	2,779,571	1,095,836	3,875,407
Infrastructure	29,271,161	244,604	29,515,765
Buildings and improvements	1,488,464	-	1,488,464
Machinery and equipment	<u>6,192,593</u>	<u>456,588</u>	<u>6,649,181</u>
Total Capital Assets	39,911,047	1,797,028	41,708,075
Less: Accumulated depreciation and amortization	<u>(27,663,922)</u>	<u>(1,278,339)</u>	<u>(28,942,261)</u>
Total Capital Assets, Net	<u>\$ 12,247,125</u>	<u>\$ 518,689</u>	<u>\$ 12,765,814</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2024 was \$34,450,064, which is considered to be tax supported debt. Other general fund long-term liabilities are also provided. Additional details on the long-term debt activity can be located in Note 8, Long-Term Obligations.

	<u>Balance July 1, 2023</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2024</u>
Governmental Activities			
General obligation bonds	\$ 22,125,394	\$ 8,518,470	\$ 30,643,864
Financed purchase obligations	153,786	(42,717)	111,069
Compensated absences	766,486	175,497	941,983
	23,045,666	8,651,250	31,696,916
Add: Premiums	289,684	405,376	695,060
Total Governmental Activities	<u>\$ 23,335,350</u>	<u>\$ 9,056,626</u>	<u>\$ 32,391,976</u>
Business-Type Activities			
General obligation bonds	\$ 4,339,200	\$ (533,000)	\$ 3,806,200
Compensated absences	87,856	(12,405)	75,451
	4,427,056	(545,405)	3,881,651
Add: Premiums	27,080	(4,966)	22,114
Total Business-Type Activities	<u>\$ 4,454,136</u>	<u>\$ (550,371)</u>	<u>\$ 3,903,765</u>

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real and public service corporations. The City's ratio of net general bonded debt to assessed value totals 5.49%.

	<u>FY 2024</u>	<u>FY 2023</u>
General Government Activities		
Bonds payable - general ⁽¹⁾	\$ 26,839,029	\$ 19,429,911
School related bonds ⁽¹⁾	<u>4,499,895</u>	<u>2,985,167</u>
Total Tax Supported Debt	31,338,924	22,415,078
Business-Type Activities	<u>3,828,314</u>	4,366,280
Total General Obligation Debt	<u>\$ 35,167,238</u>	<u>\$ 26,781,358</u>
Total Per Capita Tax Supported Debt	<u>\$ 4,200</u>	<u>\$ 3,247</u>

⁽¹⁾General obligation bonds are reported net of premium and discounts for both governmental and business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2025 budget.

The June 30, 2024 unemployment rate for the City of Franklin, Virginia was 3.4% compared to 3.0% for Virginia and the national rate of 4.3%. The June 30, 2023 unemployment rate for the City of Franklin, Virginia was 3.6%, compared to the state's unemployment rate of 2.8% and the average national rate of 3.8%.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2025. In FY 24-25, the City's original general fund budget is \$33,000,443, a decrease of \$1,084,839 or 3.2% over prior year's final budget (excluding other financing sources).

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to the City of Franklin, Director of Finance, 207 West Second Avenue, Franklin, Virginia 23851.

BASIC FINANCIAL STATEMENTS



City of Franklin, Virginia
Statement of Net Position
As of June 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority
Assets					
Current assets					
Cash and cash equivalents	\$ 30,015,927	\$ 11,329,590	\$ 41,345,517	\$ 4,441,847	\$ 14,389
Receivables (net of allowance for uncollectibles)					
Property taxes receivable	994,932	-	994,932	-	-
Accounts receivable	194,576	1,862,912	2,057,488	-	-
Leases receivable, current portion	3,731	-	3,731	-	-
Notes receivable	29,674	-	29,674	-	-
Internal balances	969,874	(969,874)	-	-	-
Due from other governmental units	960,112	-	960,112	535,212	-
Inventories	-	21,240	21,240	36,976	-
Net pension asset	-	-	-	724,833	-
Net OPEB asset	9,325	-	9,325	1,457	-
Total Current Assets	33,178,151	12,243,868	45,422,019	5,740,325	14,389
Noncurrent assets					
Lease receivable, noncurrent	1,369	-	1,369	-	-
Capital asset					
Capital assets, nondepreciable	12,654,172	4,054,665	16,708,837	1,558,110	-
Capital assets, depreciable, net	21,329,001	8,711,149	30,040,150	15,186,640	-
Lease assets, net	78,163	-	78,163	564,708	-
Subscription assets, net	125,337	-	125,337	19,124	-
Capital assets, net	34,186,673	12,765,814	46,952,487	17,328,582	-
Total Noncurrent Assets	34,188,042	12,765,814	46,953,856	17,328,582	-
Total Assets	67,366,193	25,009,682	92,375,875	23,068,907	14,389
Deferred Outflows of Resources					
Pension related items	1,172,177	238,052	1,410,229	3,321,453	-
OPEB related items	1,635,535	60,390	1,695,925	507,223	-
Loss on refunding	315,676	4,172	319,848	-	-
Total Deferred Outflows of Resources	3,123,388	302,614	3,426,002	3,828,676	-
Total Assets and Deferred Outflows of Resources	\$ 70,489,581	\$ 25,312,296	\$ 95,801,877	\$ 26,897,583	\$ 14,389
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,800,388	\$ 1,442,204	\$ 3,242,592	\$ 1,673,175	\$ -
Unearned revenue	-	-	-	1,164,600	-
Customers' deposits	-	377,098	377,098	-	-
Accrued interest payable	277,223	35,420	312,643	-	-
Line of credit	-	285,439	285,439	-	-
Deposits held in escrow	66,740	-	66,740	-	-
Current portion of lease liabilities	25,324	-	25,324	201,604	-
Current portion of subscription liabilities	27,844	-	27,844	19,748	-
Current portion of compensated absences	94,198	7,545	101,743	22,452	-
Current portion of long-term liabilities	3,029,545	183,400	3,212,945	-	-
Total Current Liabilities	5,321,262	2,331,106	7,652,368	3,081,579	-
Long-term liabilities:					
Due in more than one year					
Compensated absences	847,785	67,906	915,691	202,068	-
Lease liabilities	51,962	-	51,962	680,926	-
Subscription liabilities	92,376	-	92,376	-	-
Financed purchase obligations	111,069	-	111,069	-	-
Bonds, loans, and premiums	28,309,379	3,644,914	31,954,293	-	-
OPEB liabilities	4,379,814	434,054	4,813,868	1,952,412	-
Net pension liability	1,640,743	444,952	2,085,695	8,166,621	-
Total Long-term Liabilities	35,433,128	4,591,826	40,024,954	11,002,027	-
Total Liabilities	40,754,390	6,922,932	47,677,322	14,083,606	-
Deferred Inflows of Resources					
Pension related items	820,321	179,116	999,437	1,410,076	-
Opioid settlement	131,152	-	131,152	-	-
OPEB related items	1,214,384	54,523	1,268,907	392,093	-
Lease deferrals	4,742	-	4,742	-	-
Total Deferred Inflows of Resources	2,170,599	233,639	2,404,238	1,802,169	-
Net Position					
Net investment in capital assets	2,729,513	10,613,165	13,342,678	16,426,304	-
Restricted for					
Capital projects	12,424,230	1,671,493	14,095,723	-	-
Net pension asset	-	-	-	724,833	-
Net OPEB asset	9,325	-	9,325	1,457	-
Unrestricted (deficit)	12,401,524	5,871,067	18,272,591	(6,140,786)	14,389
Total Net Position	27,564,592	18,155,725	45,720,317	11,011,808	14,389
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 70,489,581	\$ 25,312,296	\$ 95,801,877	\$ 26,897,583	\$ 14,389

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Statement of Activities
For the Year Ended June 30, 2024

Net (Expense) Revenue and Changes in Net Position									
Functions/Programs	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental Activities									
General government administration	\$ 3,743,699	\$ 1,377,495	\$ 255,827	\$ -	\$ (2,110,377)		\$ (2,110,377)		
Judicial administration	440,200	-	-	-	(440,200)		(440,200)		
Public safety	11,387,581	719,246	1,627,905	-	(9,040,430)		(9,040,430)		
Public works	2,936,356	24,121	2,122,469	-	(789,766)		(789,766)		
Health and welfare	3,741,830	-	2,374,113	-	(1,367,717)		(1,367,717)		
Education	8,238,374	-	-	-	(8,238,374)		(8,238,374)		
Parks, recreation, and cultural	1,234,105	19,639	4,500	-	(1,209,966)		(1,209,966)		
Community development	1,364,677	-	122,130	-	(1,242,547)		(1,242,547)		
Interest on long-term debt and fiscal charges	1,140,226	-	-	-	(1,140,226)		(1,140,226)		
Total Governmental Activities	34,227,048	2,140,501	6,506,944	-	(25,579,603)		(25,579,603)		
Business-Type Activities									
Water and sewer	3,280,762	3,868,228	-	-		\$ 587,466	587,466		
Solid waste	1,292,248	1,409,510	-	-		117,262	117,262		
Electric	15,948,839	16,462,030	-	-		513,191	513,191		
Airport	453,070	99,204	54,582	-		(299,284)	(299,284)		
Total Business-Type Activities	20,974,919	21,838,972	54,582	-		918,635	918,635		
Total Primary Government	\$ 55,201,967	\$ 23,979,473	\$ 6,561,526	\$ -			(24,660,968)		
Component Units									
School Board	\$ 20,999,439	\$ 29,752	\$ 12,076,885	\$ -				\$ (8,892,802)	\$ -
Industrial Development Authority	-	-	-	-				-	-
Total - Component Units	\$ 20,999,439	\$ 29,752	\$ 12,076,885	\$ -				(8,892,802)	-
General Revenues									
General property taxes					9,324,912	-	9,324,912	-	-
Local sales and use taxes					2,496,737	-	2,496,737	-	-
Consumers' utility taxes					537,474	-	537,474	-	-
Business license taxes					1,247,515	-	1,247,515	-	-
Motor vehicle license taxes					212,498	-	212,498	-	-
Cigarette taxes					290,566	-	290,566	-	-
Lodging taxes					190,996	-	190,996	-	-
Restaurant food taxes					2,195,747	-	2,195,747	-	-
Other local taxes					217,590	-	217,590	-	-
Unrestricted revenues from use of property					303,586	-	303,586	12	-
Investment earnings					1,100,304	47,058	1,147,362	-	65
Revenue sharing from counties					868,318	-	868,318	-	-
Miscellaneous					706,639	19,248	725,887	519,962	-
Contribution from City of Franklin, Virginia					-	-	-	8,238,374	-
Grants and contributions not restricted to specific programs					1,430,533	-	1,430,533	5,438,447	-
Transfers in (out)					1,736,074	(1,736,074)	-	-	-
Total General Revenues and Transfers					22,859,489	(1,669,768)	21,189,721	14,196,795	65
Change in Net Position					(2,720,114)	(751,133)	(3,471,247)	5,303,993	65
Net Position - Beginning of Year					30,284,706	18,906,858	49,191,564	5,707,815	14,324
Net Position - End of Year					\$ 27,564,592	\$ 18,155,725	\$ 45,720,317	\$ 11,011,808	\$ 14,389

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Balance Sheet
Governmental Funds
As of June 30, 2024

	<u>General Fund</u>	<u>Virginia Public Assistance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 20,213,827	\$ 775,974	\$ -	\$ 10,568,760	\$ 1,124,701	\$ 32,683,262
<i>Receivables - net of allowance for uncollectibles</i>						
Property taxes receivable	994,932	-	-	-	-	994,932
Accounts receivable	152,176	-	-	-	42,400	194,576
Leases receivable	5,100	-	-	-	-	5,100
Notes receivable	-	-	-	-	29,674	29,674
Due from other funds	969,874	-	-	-	-	969,874
Due from other governmental units	764,350	138,279	-	-	57,483	960,112
Total Assets	<u>\$ 23,100,259</u>	<u>\$ 914,253</u>	<u>\$ -</u>	<u>\$ 10,568,760</u>	<u>\$ 1,254,258</u>	<u>\$ 35,837,530</u>
Liabilities						
Pooled cash deficit	\$ -	\$ -	\$ 1,361,731	\$ 1,264,400	\$ 41,204	\$ 2,667,335
Accounts payable and accrued liabilities	870,678	-	787,287	-	142,423	1,800,388
Deposits held in escrow	46,500	-	-	-	20,240	66,740
Total Liabilities	<u>917,178</u>	<u>-</u>	<u>2,149,018</u>	<u>1,264,400</u>	<u>203,867</u>	<u>4,534,463</u>
Deferred Inflows of Resources	936,686	-	-	-	-	936,686
Fund Balances						
<i>Nonspendable</i>						
Long-term receivables - airport	969,874	-	-	-	-	969,874
Leases	5,100	-	-	-	-	5,100
<i>Restricted</i>						
General government	433,269	-	-	-	29,674	462,943
Public safety	1,746,813	-	-	-	159,991	1,906,804
Public works	2,925,672	-	-	-	-	2,925,672
Health and welfare	-	914,253	-	-	-	914,253
Parks, recreation, and cultural	233,620	-	-	-	197,116	430,736
Community development	321,396	-	-	-	527,453	848,849
Debt service	203,823	-	-	-	-	203,823
Capital projects	1,855,470	-	-	10,568,760	-	12,424,230
<i>Committed</i>	549,910	-	-	-	-	549,910
<i>Assigned</i>	920,611	-	-	-	176,428	1,097,039
<i>Unassigned (Deficit)</i>	<u>11,080,837</u>	<u>-</u>	<u>(2,149,018)</u>	<u>(1,264,400)</u>	<u>(40,271)</u>	<u>7,627,148</u>
Total Fund Balances (Deficit)	<u>21,246,395</u>	<u>914,253</u>	<u>(2,149,018)</u>	<u>9,304,360</u>	<u>1,050,391</u>	<u>30,366,381</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,100,259</u>	<u>\$ 914,253</u>	<u>\$ -</u>	<u>\$ 10,568,760</u>	<u>\$ 1,254,258</u>	<u>\$ 35,837,530</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2024

Total Fund Balances for Governmental Funds	\$ 30,366,381
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 12,654,172	
Buildings and improvements, net	10,056,926	
Infrastructure, net	5,551,472	
Furniture, equipment, and vehicles, net	5,720,603	
Lease assets, net	78,163	
Subscription assets, net	<u>125,337</u>	
Total Capital Assets		34,186,673

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes	<u>800,792</u>	
Total Other Assets		800,792

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,172,177	
Deferred outflows of resources related to OPEB liabilities	1,635,535	
Deferred inflows of resources related to pensions	(820,321)	
Deferred inflows of resources related to OPEB	<u>(1,214,383)</u>	
Total Deferred Outflows and Inflows of Resources		773,008

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds, financed purchase obligations, and notes payable with related premiums	(31,449,993)	
Deferred outflows - refunding on debt	315,676	
Accrued interest payable on debt	(277,223)	
OPEB obligations	(4,370,490)	
Net VRS pension liability	(1,640,743)	
Lease liabilities	(77,286)	
Subscription liabilities	(120,220)	
Compensated absences	<u>(941,983)</u>	
Total		<u>(38,562,262)</u>

Total Net Position of Governmental Activities	<u>\$ 27,564,592</u>
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The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2024

	General Fund	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 9,437,150	\$ -	\$ -	\$ -	\$ -	\$ 9,437,150
Other local taxes	7,389,123	-	-	-	-	7,389,123
Permits, privilege fees, and regulatory licenses	189,147	-	-	-	-	189,147
Fines and forfeitures	36,841	-	-	-	-	36,841
Revenue from the use of money and property	738,667	-	-	443,097	222,126	1,403,890
Charges for services	1,914,513	-	-	-	-	1,914,513
Miscellaneous	1,372,368	8,865	-	-	193,724	1,574,957
Recovered costs	2,572,557	-	-	-	-	2,572,557
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	5,101,070	587,520	-	-	473,072	6,161,662
Revenue from the Federal Government	569,251	1,105,400	-	-	101,164	1,775,815
Total Revenues	29,320,687	1,701,785	-	443,097	990,086	32,455,655
Expenditures						
Current						
General government administration	3,980,161	-	-	-	41,996	4,022,157
Judicial administration	584,996	-	2,310,210	-	-	2,895,206
Public safety	12,844,731	-	660,000	-	110,837	13,615,568
Public works	3,703,635	-	-	-	-	3,703,635
Health and welfare	1,019,571	2,038,110	1,107,787	-	843,496	5,008,964
Education	4,638,893	-	3,599,481	-	-	8,238,374
Parks, recreation, and cultural	1,028,783	-	408,849	-	2,041	1,439,673
Community development	952,012	-	-	-	407,223	1,359,235
<i>Debt service</i>						
Principal retirement	59,495	-	-	657,000	-	716,495
Interest and other fiscal charges	-	-	-	988,348	-	988,348
Total Expenditures	28,812,277	2,038,110	8,086,327	1,645,348	1,405,593	41,987,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	508,410	(336,325)	(8,086,327)	(1,202,251)	(415,507)	(9,532,000)
Other Financing Sources (Uses)						
Lease liabilities issued	153,661	-	-	-	-	153,661
Issuance of debt (includes premium)	1,855,470	-	-	7,749,794	-	9,605,264
Bond issuance costs (net)	-	-	-	(55,800)	-	(55,800)
Transfers in	1,799,993	640,674	2,705,671	2,000,000	294,440	7,440,778
Transfers (out)	(5,142,169)	-	-	(562,535)	-	(5,704,704)
Total Other Financing Sources (Uses)	(1,333,045)	640,674	2,705,671	9,131,459	294,440	11,439,199
Net Change in Fund Balances	(824,635)	304,349	(5,380,656)	7,929,208	(121,067)	1,907,199
Fund Balances - Beginning of Year	22,071,030	609,904	3,231,638	1,375,152	1,171,458	28,459,182
Fund Balances (Deficit) - End of Year	\$ 21,246,395	\$ 914,253	\$ (2,149,018)	\$ 9,304,360	\$ 1,050,391	\$ 30,366,381

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 1,907,199

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$ 6,103,505	
Capital asset disposals, net	-	
Depreciation expense	<u>(2,114,356)</u>	3,989,149

Lease assets, net of purchases and amortization (16,377)

Subscription assets, net of purchases and amortization 125,337

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. (112,238)

The issuance of long-term debt (e.g., bonds, financed purchase obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of new debt	(9,175,470)	
Principal payments	657,000	
Deferred outflows - refunding of debt	(63,312)	
Lease liabilities issued/paid, net	18,698	
Subscription liabilities issued/paid, net	(120,220)	
Financed purchase obligations payments	42,717	
Premium on bond issue and accrued interest payable	<u>(453,220)</u>	
Net Adjustment		(9,093,807)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Compensated absences	(175,497)	
Net pension liability	271,730	
Deferred inflows - OPEB	169,371	
Deferred inflows - VRS pension	804,080	
Deferred outflows - OPEB	(257,254)	
Deferred outflows - VRS pension	(259,923)	
Net OPEB liabilities	<u>(71,884)</u>	
Net Adjustment		480,623

Change in Net Position of Governmental Activities \$ (2,720,114)

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Statement of Net Position
Proprietary Funds
As of June 30, 2024

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 4,108,082	\$ 1,408,140	\$ 5,914,570	\$ 200	\$ 11,430,992
Receivables, net	417,416	165,645	1,278,777	1,074	1,862,912
Inventories	-	-	-	21,240	21,240
Total Current Assets	4,525,498	1,573,785	7,193,347	22,514	13,315,144
Noncurrent Assets					
Capital assets, nondepreciable	92,077	-	3,617,422	345,166	4,054,665
Capital assets, depreciable, net	3,058,924	665,675	2,117,399	2,869,151	8,711,149
Total Noncurrent Assets	3,151,001	665,675	5,734,821	3,214,317	12,765,814
Total Assets	7,676,499	2,239,460	12,928,168	3,236,831	26,080,958
Deferred Outflows of Resources					
Pension	80,718	38,962	110,000	8,372	238,052
OPEB	18,872	3,774	30,195	7,549	60,390
Loss on refunding	-	4,172	-	-	4,172
Total Deferred Outflows of Resources	99,590	46,908	140,195	15,921	302,614
Total Assets and Deferred Outflows of Resources	<u>\$ 7,776,089</u>	<u>\$ 2,286,368</u>	<u>\$13,068,363</u>	<u>\$ 3,252,752</u>	<u>\$ 26,383,572</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 107,969	\$ 22,492	\$ 1,310,583	\$ 1,160	\$ 1,442,204
Pooled cash deficit	-	-	-	101,402	101,402
Line of credit	-	230,000	55,439	-	285,439
Customers' deposits	-	-	377,098	-	377,098
Accrued interest payable	7,345	5,936	22,139	-	35,420
Due to other funds	-	-	-	969,874	969,874
Current portion of compensated absences	3,014	839	2,843	849	7,545
Current portion of long-term liabilities	6,000	17,400	160,000	-	183,400
Total Current Liabilities	124,328	276,667	1,928,102	1,073,285	3,402,382
Noncurrent Liabilities, Net of Current Portion					
Pension liability	158,589	93,024	151,658	41,681	444,952
OPEB liabilities	135,642	27,128	217,027	54,257	434,054
Compensated absences	27,126	7,553	25,590	7,637	67,906
Long-term notes and bonds and premiums	652,796	481,118	2,511,000	-	3,644,914
Total Noncurrent Liabilities	974,153	608,823	2,905,275	103,575	4,591,826
Total Liabilities	1,098,481	885,490	4,833,377	1,176,860	7,994,208
Deferred Inflows of Resources					
OPEB	17,038	3,408	27,262	6,815	54,523
Pension	70,455	5,161	93,505	9,995	179,116
Total Deferred Inflows of Resources	87,493	8,569	120,767	16,810	233,639
Net Position					
Net investment in capital assets	2,682,093	205,862	4,510,893	3,214,317	10,613,165
Restricted for capital projects	189,888	34,533	1,447,072	-	1,671,493
Unrestricted (Deficit)	3,718,134	1,151,914	2,156,254	(1,155,235)	5,871,067
Total Net Position	6,590,115	1,392,309	8,114,219	2,059,082	18,155,725
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,776,089</u>	<u>\$ 2,286,368</u>	<u>\$13,068,363</u>	<u>\$ 3,252,752</u>	<u>\$ 26,383,572</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2024

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,868,228	\$ 1,409,510	\$ 16,462,030	\$ 99,204	\$ 21,838,972
Miscellaneous	1,025	-	18,223	-	19,248
Operating grants - state	-	-	-	54,582	54,582
Operating grants - federal	-	-	-	-	-
Total Operating Revenues	3,869,253	1,409,510	16,480,253	153,786	21,912,802
Operating Expenses					
Salaries and wages	573,183	246,935	976,166	53,402	1,849,686
Fringe benefits	178,537	104,612	251,968	10,996	546,113
Contractual services	390,469	-	171,894	6,799	569,162
Repairs and maintenance	409,952	78,394	416,031	285	904,662
Utilities	247,293	-	36,878	19,457	303,628
Insurance	39,671	11,236	25,072	14,800	90,779
Materials and supplies	383,009	91,771	12,921,788	26,962	13,423,530
Tipping and other fees	-	349,697	-	-	349,697
Other charges	79,817	5,474	43,625	3,921	132,837
Payment to general fund for services and taxes	399,902	255,789	726,888	20,271	1,402,850
Depreciation and amortization	553,899	135,114	293,149	296,177	1,278,339
Total Operating Expenses	<u>3,255,732</u>	<u>1,279,022</u>	<u>15,863,459</u>	<u>453,070</u>	<u>20,851,283</u>
Operating Income (Loss)	613,521	130,488	616,794	(299,284)	1,061,519
Nonoperating Revenues (Expenses)					
Interest income	4,365	1,746	40,947	-	47,058
Interest expense and issuance costs	<u>(25,030)</u>	<u>(13,226)</u>	<u>(85,380)</u>	<u>-</u>	<u>(123,636)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,665)</u>	<u>(11,480)</u>	<u>(44,433)</u>	<u>-</u>	<u>(76,578)</u>
Income (Loss) Before Transfers	592,856	119,008	572,361	(299,284)	984,941
Transfers in	-	-	-	63,919	63,919
Transfers (out)	-	-	(1,799,993)	-	(1,799,993)
Total Nonoperating Revenues (Expenses)	-	-	<u>(1,799,993)</u>	<u>63,919</u>	<u>(1,736,074)</u>
Change in Net Position	592,856	119,008	(1,227,632)	(235,365)	(751,133)
Total Net Position - Beginning of Year	<u>5,997,259</u>	<u>1,273,301</u>	<u>9,341,851</u>	<u>2,294,447</u>	<u>18,906,858</u>
Total Net Position - End of Year	<u>\$ 6,590,115</u>	<u>\$ 1,392,309</u>	<u>\$ 8,114,219</u>	<u>\$ 2,059,082</u>	<u>\$ 18,155,725</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,793,833	\$ 1,392,552	\$ 16,218,269	\$ 114,144	\$ 21,518,798
Operating grants	-	-	-	54,582	54,582
Payments to suppliers for goods and services	(2,060,310)	(813,175)	(14,206,297)	(142,971)	(17,222,753)
Payments to and on behalf of employees	(812,967)	(372,787)	(1,315,886)	(75,584)	(2,577,224)
Net Cash Provided by (Used in) Operating Activities	920,556	206,590	696,086	(49,829)	1,773,403
Cash Flows from Noncapital Financing Activities					
Transfers (to) other funds	-	-	(1,799,993)	63,919	(1,736,074)
Net Cash Provided by (Used in) Noncapital Financing Activities	-	-	(1,799,993)	63,919	(1,736,074)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(325,573)	(205,382)	(1,251,983)	(14,090)	(1,797,028)
Payment on long-term debt	(362,400)	(10,000)	(160,000)	-	(532,400)
Interest paid on capital debt	(29,153)	(13,014)	(82,260)	-	(124,427)
Net Cash Used in Capital and Related Financing Activities	(717,126)	(228,396)	(1,494,243)	(14,090)	(2,453,855)
Cash Flows from Investing Activities					
Interest income	4,365	1,746	40,947	-	47,058
Net Cash Provided by Investing Activities	4,365	1,746	40,947	-	47,058
Net Increase (Decrease) in Cash and Cash Equivalents	207,795	(20,060)	(2,557,203)	-	(2,369,468)
Cash and Cash Equivalents - Beginning of Year	3,900,287	1,428,200	8,471,773	200	13,800,460
Cash and Cash Equivalents - End of Year	<u>\$ 4,108,082</u>	<u>\$ 1,408,140</u>	<u>\$ 5,914,570</u>	<u>\$ 200</u>	<u>\$ 11,430,992</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 613,521	\$ 130,488	\$ 616,794	\$ (299,284)	\$ 1,061,519
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	553,899	135,114	293,149	296,177	1,278,339
(Increase) decrease in accounts receivable	(75,420)	(16,958)	(261,551)	14,940	(338,989)
(Increase) decrease in inventories	-	-	-	-	-
(Increase) decrease in deferred outflows - pension	15,472	6,189	24,755	3,094	49,510
(Increase) decrease in deferred outflows - OPEB	5,549	1,110	8,879	2,220	17,758
Increase (decrease) in accounts payable and accrued liabilities	(110,197)	(20,814)	135,879	(33,969)	(29,101)
Increase (decrease) in pooled cash deficit	-	-	-	(16,507)	(16,507)
Increase (decrease) in compensated absences	(8,428)	(964)	(3,242)	229	(12,405)
Increase (decrease) in net pension liability	(16,174)	(19,145)	(25,879)	(3,235)	(64,433)
Increase (decrease) in deferred inflows - pension	(47,862)	(6,470)	(76,579)	(9,572)	(140,483)
Increase (decrease) in OPEB liability	(2,826)	(565)	(4,522)	(1,130)	(9,043)
Increase (decrease) in deferred inflows - OPEB	(6,978)	(1,395)	(11,164)	(2,792)	(22,329)
Increase (decrease) in customer deposits	-	-	(433)	-	(433)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 920,556</u>	<u>\$ 206,590</u>	<u>\$ 696,086</u>	<u>\$ (49,829)</u>	<u>\$ 1,773,403</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2024

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 88,044
 Total Assets	 \$ 88,044
Liabilities	
Accounts payable and accrued liabilities	\$ 1,356
Fiduciary Net Position	
Restricted for minors under the care of VPA	17,496
Restricted for fire and rescue volunteers	49,925
Restricted for children's educational needs	<u>19,267</u>
 Total Net Position	 <u>86,688</u>
 Total Liabilities and Fiduciary Net Position	 <u>\$ 88,044</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	<u>Custodial Funds</u>
Additions	
Miscellaneous income	\$ 141,056
Revenue from City of Franklin	870,602
Local grant funds and other donations	<u>73,309</u>
Total Additions	1,084,967
Deductions	
Program and administrative expenses	<u>1,103,905</u>
Net Increase (Decrease) in Fiduciary Net Position	(18,938)
Net Position - Beginning	<u>105,626</u>
Net Position - Ending	<u><u>\$ 86,688</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Notes to the Financial Statements

Year Ended June 30, 2024

1 Summary of Significant Accounting Policies

Narrative Profile

The City of Franklin, Virginia (City) is a political subdivision of the Commonwealth of Virginia operating under the council-manager form of government. The elected seven-member City Council, vested with legislative powers, appoints the City Manager who is the executive and administrative head of the City's government.

The City engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the City of Franklin, Virginia have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

A. Government-wide and Fund Financial Statements

Management's Discussion and Analysis

GASB Statement No. 34 and GASB Statement No. 37 require financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of the government is broken down into three categories – 1) Net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments, however, revise their original budget over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments will continue to provide budgetary comparison information in their annual report including the government's original budget and a comparison of final budget and actual results.

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Capital Projects Fund, Water and Sewer Fund, Solid Waste, Electric Fund, Airport Fund, and Special Revenue Funds. However, the Consolidated Grant Funds and Fiduciary Funds are excluded from the annual operating budget.

B. Other Related Organizations

Included in the City's Financial Report – None

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements.

Government-Wide and Fund Accounting Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. The focus is on either the City as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource measurement focus using the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund-based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the GASB 34 model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statements of Net Position and Statement of Activities and all proprietary funds and trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

With this measurement focus, all assets and all liabilities associated with the operating of these activities are included on their Statement of Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The Statement of Net Position and Statement of Activities of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet on the funds statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances.

The fund financial statements of the Governmental Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term “available” is limited to collections within sixty days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements present the financial information of each major fund in a separate column. Nonmajor funds are aggregated and displayed in a single column.

The main operating fund, the general fund, is always reported as a major fund. Other individual governmental or enterprise funds are reported in separate columns as major funds based on the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that management believes is particularly important to financial statement users may be reported as a major fund.

- **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

- **General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants and subsidies, licenses, permits, charges for services, and interest income. A significant part of the General Fund’s revenues is transferred to other funds and component units. The General Fund is considered a major fund.

- **Special Revenue Funds**

The Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Funds of the City are as follows:

- *Virginia Public Assistance Fund* – accounts for revenues and expenditures related to services provided by the Department of Social Services. Most revenues are derived from the Commonwealth of Virginia and the federal government. This fund is considered a major fund.
- *Children Services Act Fund* – accounts for revenues and expenditures related to the Children Services Act for At-risk Youth and Families. Revenues are derived from categorical aid received from the Commonwealth of Virginia.
- *Regional Fire Training Grounds Fund* – accounts for revenues and expenditures related to maintenance of the Regional Fire Training Grounds. Most revenues are derived from rental income for use by other localities.
- *Foundation Grants Fund* – accounts for revenues and expenditures related to local grants. Revenues are derived from local grants.
- *Community Development Block Grant Fund* – accounts for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.
- *Community Development Downtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the downtown area. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Madison Street Project Fund* – accounts for revenues and expenses related to the Madison Street Community Improvement Project Fund.
- *Laurel Street Project Fund* – accounts for revenues and expenses related to the Laurel Street Community Improvement Project Fund.
- *Western Tidewater Home Consortium Fund* – accounts for revenues and expenditures related to a joint venture with the City of Suffolk and Isle of Wight County to provide affordable housing.
- *Neighborhood Stabilization Program Fund* – accounts for a federal grant and the related expenditures. The grant is to be used for community development.
- *Cobbtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the Cobbtown area of the City. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Police Federal Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the federal government.

- *Police State Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the Commonwealth of Virginia.
- *Police Evidence Holding Fund* – accounts for revenues and expenditures related to police evidence that is held for the courts.
- *Camp Homestead Fund* – accounts for revenues and expenditures related to the maintenance and upkeep of the Camp family home on Homestead Lane.
- *Economic Development Fund* – accounts for revenues and expenditures related to economic development efforts of the City including rental of the building in Pretlow Industrial Park and operation of the incubator building.
- *Willie Camp Younts Fund* – accounts for revenues and expenditures related to the maintenance of the Willie Camp Younts cemetery.
- *Southview Cemetery Trust Fund* – accounts for revenues and expenditures of the Southview Cemetery.
- *Cemetery Perpetual Care Trust Fund* – accounts for revenues and expenditures of the Cemetery.
- *Charles Smith Cemetery Trust Fund* – accounts for revenues and expenditures of the Charles Smith Cemetery.
- *Employees Emergency Trust* – accounts for monies provided primarily through private donors for assistance to employees for emergencies.
- *Flexible Spending Fund* – accounts for monies received from employees to pay for medical claims.

- **Debt Service Fund**

The Debt Service Fund accounts for and reports resources that are restricted, committed or assigned to expenditure for principal and interest, reports financial resources being accumulated for future debt service, and accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is considered a major governmental fund.

- **Capital Projects Fund**

The Capital Projects Fund accounts and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major governmental fund.

- **Proprietary Fund**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary Funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal

operating revenues of the Proprietary Funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City applies all current GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City's proprietary funds consist of only enterprise funds.

- *Enterprise Funds*

The Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- *Water and Sewer Fund* – accounts for the provision of water and sewer services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, billing, collections, financing and related debt service, and capital assets of the water and sewage systems.
- *Electric Fund* – accounts for the provision of electrical services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the electrical systems.
- *Airport Fund* – accounts for the operations of the City-owned airport. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the airport.
- *Solid Waste Fund* – accounts for the provision of garbage services to City residents and businesses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operating, billing, collections, financing and related debt service and capital assets of solid waste operations.

- **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

- **Trust and Custodial Funds**

Trust and Custodial Funds include nonexpendable trust funds and custodial funds. Nonexpendable trust funds are accounted for and reported as Proprietary Fund types because capital maintenance is critical. Nonexpendable trust funds account for the expenditure of income earned by principal held in trust, the principal amount of which cannot be expended.

- **Custodial Funds**

Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The following are custodial funds reported by the City:

- *Special Welfare – SSI Fund* – account for receipts of welfare checks and foster children support checks from the state government and payments made on behalf of individuals.
- *Smart Beginnings Fund* – accounts for monies received to promote early childhood growth.
- *Fire and Rescue Volunteers Fund* – accounts for revenues and expenditures related to the activities of the fire and rescue volunteers.
- *Special Welfare Fund* – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- *Children’s Center Fund* – accounts for revenues and expenditures related to activities dealing with the Children’s Center Fund.

- **Discretely Presented Component Units**

- *City of Franklin Public Schools*

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools’ operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$4,638,893 as the normal local appropriation and \$3,599,481 in capital project money for the school roof project totaling \$8,238,374 to the School Board from the General Fund, exclusive of debt service. The School Board does issue separate financial statements.

- *School Operating Fund* – accounts for revenues and expenditures relating to the operation of the City of Franklin Public Schools. Revenues are derived from the General Fund and from state and federal funds.
- *Cafeteria Fund* – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds.
- *School Textbook Fund* – accounts for revenues and expenditures relating to the purchase of school textbooks. Revenues are derived from state and federal funds.
- *School Activity Fund* – accounts for revenues and expenditures relating to special student activities within the individual schools. Revenues are derived from student and teacher-related fees and activities during the course of the school year.

- *Industrial Development Authority*

The Industrial Development Authority of the City of Franklin (IDA) was established under the Industrial Development and Revenue Bond Act – *Code of Virginia*. A separate board appointed by the City Council governs the IDA. The IDA is authorized to acquire, own, lease, and dispose of properties and to conduct related activities to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate or to remain in the City. In prior years, the City made significant capital contributions toward properties the IDA developed and marketed. The City is involved in the day-to-day operations of the IDA, including the determination of its operating budget. Financial statements of the IDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the other supplementary information section. The IDA does not issue separate financial statements.

D. Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the required supplementary information:

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearings must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available.
- The City Manager is authorized to transfer budgeted amounts within departments up to \$20,000. Expenditures over this amount must be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories.
- Appropriations lapse on June 30 for all City units.
- All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.

Formal budgetary information is employed as a management control device. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, certain Special Revenue Funds, the Debt Service Fund, and the Proprietary Funds. Project length financial plans are adopted for the Capital Projects Fund and certain Special Revenue Funds.

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Special Revenue, and Debt Service funds' budgets are adopted on the modified accrual basis of accounting.

E. Allowance for Uncollectible Amounts

The City calculates its allowance for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2024, the allowance attributed to the General Fund amounted to \$204,736 and Enterprise Fund in the amount of \$2,550,650.

F. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates fair value. Interest income on investments is allocated to the appropriate funds based upon the average monthly cash balance of each fund. Interest income is accrued as earned.

G. Inventories

Inventories of materials and supplies in the governmental and proprietary fund types are recorded at cost. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method) on a first-in, first-out basis.

H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded using the straight-line method over the capital assets' estimated useful lives on a government-wide basis.

Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. Interest expense is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Assets acquired under financed purchase obligations are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-50 years
Infrastructure	10-30 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the government-wide statements and proprietary fund statements.

J. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Health Insurance Credit

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Teacher Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia

Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Liquidation of Long-Term Liabilities Other than Debt

The governmental fund used to liquidate long-term liabilities other than debt is the general fund.

R. Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the consumption of net assets applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net assets applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The City considers revenues available if they are collected within 60 days of the end of the fiscal year.

S. Statement of Cash Flows

For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with original purchased maturities of three-months or less are considered to be cash equivalents.

T. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Actual results could differ from those estimates and assumptions.

U. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

V. Credit Risk

Concentration of credit risk with respect to receivables is limited due to the large number of citizens comprising the City's taxpayer base.

W. Net Position

Net position in the government-wide financial statements are classified as Net Investment in Capital Assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

X. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Enterprise Funds' functions. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Y. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** – amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure;
- **Restricted fund balance** – amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self-imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.
- **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation;
- **Assigned fund balance** – amounts constrained for a specific purpose by the City Manager. Assignments shall not create a deficit in any fund or segment of fund balance;
- **Unassigned fund balance** – amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

When fund balance resources are available for a specific purpose in more than one classification, it is the Council's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget

as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City's Fund Balance Policy adopted by the Governing Body delegates the authority to assign fund balances for specific purposes to the City Manager.

Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City.

It is the City Council's policy that there shall be retained in the General Fund an unassigned fund balance of 15% to 25% of the following year's projected expenditures.

Z. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5 and December 5. Personal property taxes are due and collectible annually on December 5. The City bills and collects its own property taxes.

AA. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

AB. Leases

As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases. The City's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As lessor, the City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

AC. Subscription-Based Information Technology Arrangements

The City has various subscription-based IT arrangements (SBITAs) requiring recognition. A SBITA is defined as a contract that conveys control of the right to use another party's (SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key estimates and judgments related to subscription-based IT arrangements include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate stated in the subscription contract. When the interest rate charged is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

AD. New GASB Pronouncements

During the fiscal year ended June 30, 2024, the City adopted the following GASB statement:

In April 2022, GASB Issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement are effective for the fiscal year ending June 30, 2024 for the City.

In June 2022, GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement are effective for the fiscal year ending June 30, 2024 for the City.

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that will impact future fiscal years' financial statement presentations. Management has not yet determined what impacts, if any, that the implementation of the following GASB statements will have on the City.

- GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

2 Deposits

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The City's investment policy authorizes the City to purchase investments consistent with obligations permitted by statutes of the Commonwealth of Virginia. The policy requires that all investments shall be held by the City or purchased by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction.

Credit Risk of Debt Securities

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, or Fitch Investor's Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than that one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City did not have any investments at June 30, 2024.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits of the City are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by the Federal Deposit Insurance Corporation (FDIC).

Concentration of Credit Risk

The City does not have a formal investment policy regarding concentration of credit risk of its investments.

3 Interfund Receivables and Payables

Interfund balances at June 30, 2024 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
From Airport to General	\$ 969,874	\$ -
Proprietary Funds		
From Airport to General	-	969,874
Total	<u>\$ 969,874</u>	<u>\$ 969,874</u>

The receivables and payables between funds account for the time differences in recording interfund transfers.

Interfund transfers for the year ended June 30, 2024 were as follows:

	<u>Purpose - Funding for:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia			
General Fund			
Transfers between General Fund and Electric Fund	Support of general fund operations	\$ 1,799,993	\$ -
Transfers between General Fund and Water and Sewer Fund	Support of general fund operations	-	63,919
Transfers to the Airport Fund	Support of airport operations and projects	-	2,143,136
From General Fund to School Capital Projects Fund	Support of Pay-As-You-Go Projects	-	294,440
From General Fund to Nonmajor Governmental Funds	Support of special revenue programs	-	640,674
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	-	2,000,000
Transfers between General Fund to Debt Service Fund	Support of debt service fund		
Nonmajor Governmental Funds			
From General Fund to nonmajor governmental funds	Support of special revenue programs	294,440	-
Capital Projects			
From General Fund to School Capital Projects Fund	Support of Pay-As-You-Go Projects	2,143,136	-
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	562,535	-
Virginia Public Assistance Fund			
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	640,674	-
Debt Service Fund			
Between General Fund to Debt Service Fund	Payment of City debt	2,000,000	-
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	-	562,535
Subtotal - Governmental Funds		7,440,778	5,704,704
Proprietary Funds			
Transfers between Airport and General Funds	Support of airport operations	63,919	-
Transfers between General Fund and Electric Fund	Support of general fund operations	-	1,799,993
Subtotal - Proprietary Funds		63,919	1,799,993
		<u>\$ 7,504,697</u>	<u>\$ 7,504,697</u>

4 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2024 are as follows:

		<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia to Component Units			
Within Component Unit - School Board			
To Textbook Fund from School Board Operating Fund to support operations	Support of local school system	<u>\$ 91,032</u>	<u>\$ 91,032</u>

5 Receivables

Receivables in the fund statements at June 30, 2024 are as follows:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Receivables						
Property taxes	\$1,199,668	\$ -	\$ -	\$ 1,199,668	\$ -	\$1,199,668
Accounts receivable	<u>152,176</u>	<u>-</u>	<u>42,400</u>	<u>194,576</u>	<u>4,413,562</u>	<u>4,608,138</u>
Total Receivables	1,351,844	-	42,400	1,394,244	4,413,562	5,807,806
Less: Allowance for Uncollectible Accounts						
Property taxes	204,736	-	-	204,736	-	204,736
Utility and other service charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550,650</u>	<u>2,550,650</u>
Total Allowance for Uncollectible Accounts	<u>204,736</u>	<u>-</u>	<u>-</u>	<u>204,736</u>	<u>2,550,650</u>	<u>2,755,386</u>
Receivables, Net						
Property taxes	994,932	-	-	994,932	-	994,932
Accounts receivable	<u>152,176</u>	<u>-</u>	<u>42,400</u>	<u>194,576</u>	<u>1,862,912</u>	<u>2,057,488</u>
Receivables, Net	<u>\$1,147,108</u>	<u>\$ -</u>	<u>\$ 42,400</u>	<u>\$ 1,189,508</u>	<u>\$1,862,912</u>	<u>\$3,052,420</u>

6 Due from Other Governments

Due from other governments consists of the following at June 30, 2024:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia					
State and local sales taxes	\$ 427,651	\$ -	\$ -	\$ 427,651	\$ 147,051
Communications tax	56,973	-	-	56,973	-
Other state funds	45,003	-	-	45,003	-
Opioid settlement	131,152	-	57,483	188,635	-
Public assistance	<u>-</u>	<u>51,367</u>	<u>-</u>	<u>51,367</u>	<u>-</u>
	660,779	51,367	57,483	769,629	147,051
Federal Government					
Vocational Education	-	-	-	-	12,832
Special Education Cluster	-	-	-	-	64,932
Title II	-	-	-	-	41,274
Title I	-	-	-	-	83,844
CARES Act ESSERF	-	-	-	-	62,153
Cafeteria Fund - school food program	-	-	-	-	39,878
Other federal funds	<u>103,571</u>	<u>86,912</u>	<u>-</u>	<u>190,483</u>	<u>83,248</u>
	<u>103,571</u>	<u>86,912</u>	<u>-</u>	<u>190,483</u>	<u>388,161</u>
	<u>\$ 764,350</u>	<u>\$ 138,279</u>	<u>\$ 57,483</u>	<u>\$ 960,112</u>	<u>\$ 535,212</u>

7 Capital Assets

A summary of changes in capital assets for the primary government follows:

Governmental Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 4,788,275	\$ -	\$ -	\$ 4,788,275
Construction in process	4,039,051	3,826,846	-	7,865,897
Total Capital Assets Not Being Depreciated	8,827,326	3,826,846	-	12,654,172
Capital Assets Being Depreciated				
Buildings	18,926,091	-	-	18,926,091
Improvements other than buildings	3,027,312	973,743	-	4,001,055
Machinery, equipment, other	11,048,387	1,302,916	-	12,351,303
Infrastructure	11,292,216	-	-	11,292,216
Total Capital Assets Being Depreciated	44,294,006	2,276,659	-	46,570,665
Less: Accumulated depreciation				
Buildings	9,641,386	499,284	-	10,140,670
Improvements other than buildings	2,667,449	62,101	-	2,729,550
Machinery, equipment, other	5,708,470	922,230	-	6,630,700
Infrastructure	5,110,003	630,741	-	5,740,744
Total Accumulated Depreciation	23,127,308	2,114,356	-	25,241,664
Subtotal Capital Assets, Net	21,166,698	162,303	-	21,329,001
Total Capital Assets, Governmental Activities, Net	\$ 29,994,024	\$ 3,989,149	\$ -	\$ 33,983,173

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligations for any school property which is payable over more than one year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. At this time, the City has no school financed assets reported in the Primary Government for financial reporting purposes.

Depreciation expense for governmental activities was charged to functions of the primary government as follows:

General governmental administration	\$ 409,451
Public safety	685,184
Public works	745,614
Health and welfare	65,384
Parks, recreation, and cultural	203,281
Community development	5,442
Total	\$ 2,114,356

Governmental Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Lease Assets				
Machinery and equipment	\$ 101,157	\$ -	\$ -	\$ 101,157
Vehicles	37,610	-	-	37,610
Less: accumulated amortization for				
Machinery and equipment	44,227	16,377	-	60,604
Lease Assets, Net	<u>\$ 94,540</u>	<u>\$ (16,377)</u>	<u>\$ -</u>	<u>\$ 78,163</u>

	Amortization Expense
General governmental administration	\$ 14,496
Public safety	1,881
Total	<u>\$ 16,377</u>

Governmental Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
SBITA Assets				
Software arrangements	\$ -	\$ 153,661	\$ -	\$ 153,661
Less: accumulated amortization for				
Software arrangements	-	28,324	-	28,324
SBITA Assets, Net	<u>\$ -</u>	<u>\$ 125,337</u>	<u>\$ -</u>	<u>\$ 125,337</u>

	Amortization Expense
SBITA amortization expense	\$ 28,324
Total	<u>\$ 28,324</u>

A summary of changes in capital assets for the enterprise funds follows:

Business-Type Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Water and Sewer Fund				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 13,106	\$ 78,971	\$ -	\$ 92,077
Total Capital Assets Not Being Depreciated	13,106	78,971	-	92,077
Other Capital Assets				
Infrastructure	14,948,201	148,964	-	15,097,165
Machinery and equipment	2,686,790	97,638	-	2,784,428
Total Other Capital Assets	17,634,991	246,602	-	17,881,593
Less: Accumulated depreciation				
Infrastructure	12,492,811	357,679	-	12,850,490
Machinery and equipment	1,775,959	196,220	-	1,972,179
Total Accumulated Depreciation	14,268,770	553,899	-	14,822,669
Subtotal Capital Assets, Net	3,366,221	(307,297)	-	3,058,924
Total Water and Sewer Fund	<u>\$ 3,379,327</u>	<u>\$ (228,326)</u>	<u>\$ -</u>	<u>\$ 3,151,001</u>

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Solid Waste Fund				
Other Capital Assets				
Machinery and equipment	\$ 1,707,512	\$ 205,382	\$ -	\$ 1,912,894
Total Other Capital Assets	1,707,512	205,382	-	1,912,894
Less: Accumulated depreciation				
Machinery and equipment	1,112,105	135,114	-	1,247,219
Total Accumulated Depreciation	1,112,105	135,114	-	1,247,219
Subtotal Capital Assets, Net	595,407	70,268	-	665,675
Total Solid Waste Fund	\$ 595,407	\$ 70,268	\$ -	\$ 665,675
Electric Fund				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 2,600,557	\$ 1,016,865	\$ -	\$ 3,617,422
Total Capital Assets Not Being Depreciated	2,600,557	1,016,865	-	3,617,422
Other Capital Assets				
Infrastructure	6,098,337	81,550	-	6,179,887
Machinery and equipment	1,629,355	153,568	-	1,782,923
Total Other Capital Assets	7,727,692	235,118	-	7,962,810
Less: Accumulated depreciation				
Infrastructure	4,663,565	167,411	-	4,830,976
Machinery and equipment	888,697	125,738	-	1,014,435
Total Accumulated Depreciation	5,552,262	293,149	-	5,845,411
Subtotal Capital Assets, Net	2,175,430	(58,031)	-	2,117,399
Total Electric Fund	\$ 4,775,987	\$ 958,834	\$ -	\$ 5,734,821
Airport Fund				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	165,908	-	-	165,908
Total Capital Assets Not Being Depreciated	345,166	-	-	345,166
Other Capital Assets				
Infrastructure	8,224,623	14,090	-	8,238,713
Buildings and improvements	1,488,464	-	-	1,488,464
Machinery and equipment	168,936	-	-	168,936
Total Other Capital Assets	9,882,023	14,090	-	9,896,113
Less: Accumulated depreciation				
Infrastructure	5,173,290	283,261	-	5,456,551
Buildings and improvements	1,403,606	11,262	-	1,414,868
Machinery and equipment	153,889	1,654	-	155,543
Total Accumulated Depreciation	6,730,785	296,177	-	7,026,962
Subtotal Capital Assets, Net	3,151,238	(282,087)	-	2,869,151
Total Airport Fund	\$ 3,496,404	\$ (282,087)	\$ -	\$ 3,214,317

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Total Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	2,779,571	1,095,836	-	3,875,407
Total Capital Assets Not Being Depreciated	2,958,829	1,095,836	-	4,054,665
Other Capital Assets				
Infrastructure	29,271,161	244,604	-	29,515,765
Buildings and improvements	1,488,464	-	-	1,488,464
Machinery and equipment	6,192,593	456,588	-	6,649,181
Total Other Capital Assets	36,952,218	701,192	-	37,653,410
Less: Accumulated depreciation	27,663,922	1,278,339	-	28,942,261
Total Capital Assets, Net	9,288,296	(577,147)	-	8,711,149
Business-Type Activities	\$ 12,247,125	\$ 518,689	\$ -	\$ 12,765,814

A summary of changes in capital assets for the Component Unit – School Board follows:

Component Unit - School Board

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Construction in progress	\$ 67,210	\$ 1,594,300	\$ 103,400	\$ 1,558,110
Total Capital Assets Not Being Depreciated	67,210	1,594,300	103,400	1,558,110
Capital Assets Being Depreciated				
Land improvement	272,305	-	-	272,305
Buildings	14,848,986	2,273,271	-	17,122,257
Infrastructure	6,295,480	309,844	-	6,605,324
Machinery and equipment	7,653,493	1,191,364	-	8,844,857
Total Other Capital Assets	29,070,264	3,774,479	-	32,844,743
Less: Accumulated depreciation				
Land improvement	168,135	26,557	-	194,692
Buildings	8,767,741	833,339	-	9,601,080
Infrastructure	1,654,191	499,676	-	2,153,867
Machinery and equipment	5,416,015	292,449	-	5,708,464
Total Accumulated Depreciation	16,006,082	1,652,021	-	17,658,103
Other Capital Assets being Depreciated, Net	13,064,182	2,122,458	-	15,186,640
Total Capital Assets, Net	\$13,131,392	\$ 3,716,758	\$ 103,400	\$16,744,750

School Board Component Unit

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Lease Assets				
Equipment	\$ 1,411,770	\$ -	\$ -	\$ 1,411,770
Less: accumulated amortization for				
Equipment	564,708	282,354	-	847,062
Lease Assets, Net	<u>\$ 847,062</u>	<u>\$ (282,354)</u>	<u>\$ -</u>	<u>\$ 564,708</u>

	<u>Amortization Expense</u>
Education	<u>\$ 282,354</u>
Total	<u>\$ 282,354</u>

School Board Component Unit

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
SBITA Assets				
Software arrangements	\$ 57,370	\$ -	\$ -	\$ 57,370
Less: accumulated amortization for				
Software arrangements	19,123	19,123	-	38,246
SBITA Assets, Net	<u>\$ 38,247</u>	<u>\$ (19,123)</u>	<u>\$ -</u>	<u>\$ 19,124</u>

	<u>Amortization Expense</u>
Education	<u>\$ 19,123</u>
Total	<u>\$ 19,123</u>

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8 Long-Term Obligations

The following is a summary of the changes in long-term obligations of the primary government and its Component Unit – School Board, respectively, for the year ended June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General obligations bonds	\$ 22,125,394	\$ 9,175,470	\$ 657,000	\$ 30,643,864	\$ 2,995,811
Financed purchase obligations	153,786	-	42,717	111,069	-
Premium on bond issuance	289,684	429,794	24,418	695,060	33,734
Compensated absences	766,486	175,497	-	941,983	94,198
Total Governmental Activities	<u>23,335,350</u>	<u>9,780,761</u>	<u>724,135</u>	<u>32,391,976</u>	<u>3,123,743</u>
Business-Type Activities					
General obligation bonds	4,339,200	-	533,000	3,806,200	183,400
Premium on bond issuance	27,080	-	4,966	22,114	1,005
Total Bonds and Loan	<u>4,366,280</u>	<u>-</u>	<u>537,966</u>	<u>3,828,314</u>	<u>184,405</u>
Compensated absences	87,856	-	12,405	75,451	7,545
Total Business-Type Activities	<u>4,454,136</u>	<u>-</u>	<u>550,371</u>	<u>3,903,765</u>	<u>191,950</u>
Total Primary Government	<u>\$ 27,789,486</u>	<u>\$ 9,780,761</u>	<u>\$ 1,274,506</u>	<u>\$ 36,295,741</u>	<u>\$ 3,315,693</u>
Component Unit - School Board					
Lease liabilities	\$ 1,071,104	\$ -	\$ 188,754	\$ 882,350	\$ 201,604
Subscription liabilities	38,864	-	19,116	19,748	19,748
Compensated absences	<u>209,479</u>	<u>35,989</u>	<u>20,948</u>	<u>224,520</u>	<u>22,452</u>
Total School Board	<u>\$ 1,319,447</u>	<u>\$ 35,989</u>	<u>\$ 228,818</u>	<u>\$ 1,126,618</u>	<u>\$ 243,804</u>

Note: General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the government and are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage, interest, and income tax regulations under those provisions.

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General obligation debt of the governmental activities at June 30, 2024 is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2024</u>
Primary Government					
Governmental Obligations					
<i>General Obligation Bonds</i>					
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	\$ 1,695,000	\$ 1,045,000
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	4,394,000
General Obligation Bond, Series 2023	10/17/19	01/15/26	5	7,320,000	7,320,000
	3/1/2024	Based on school			
	&				
Virginia Literary Fund Temporary Notes (2)	03/15/24	construction	2	\$2,000,000	1,855,470
GO Refunding Bond, Taxable Series 2019:	12/20/19	01/15/39	2.01-3.40	6,935,000	
City portion					5,024,000
School portion					1,256,000
Tax Exempt General Obligation Bond, Series 2021A	06/30/21	01/15/46	5-2.125	6,430,000	5,529,800
Tax Exempt General Obligation and Refunding Bond, Series 2021B	06/30/21	01/15/46	2-2.5	1,895,000	1,840,000
Tax Exempt General Obligation Line of Credit Note, Series 2022	09/12/22	01/15/25	2.88	4,000,000	2,143,594
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	12/30/14	12/01/24	0.0	1,816,000	236,000
Total General Obligation Bonds					30,643,864
<i>Financed Purchase Obligations</i>					
Police vehicles	01/18/21	01/31/26	3.57	164,794	85,160
Defibrillators	07/01/20	07/01/23	0.0	64,771	25,909
Total Financed Purchase Obligations					111,069
Premium on bond issuance					695,060
City portion				587,635	
School portion				107,425	
Compensated absences					941,983
Total General Long-Term Obligations					32,391,976
Proprietary Funds					
<i>Water and Sewer Fund</i>					
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	643,000
Premium on bond issuance					15,796
Compensated absences					30,140
Total Water and Sewer Fund					688,936
<i>Electric Fund</i>					
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	2,671,000
Compensated absences					28,433
Total Electric Fund					2,699,433

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2024</u>
<i>Airport Fund</i>					
Compensated absences					<u>8,486</u>
Total Airport Fund					<u>8,486</u>
<i>Solid Waste Funds</i>					
GO Refunding Bond, Taxable Series 2019	12/20/19	01/15/32	2.01-2.84	6,935,000	<u>235,000</u>
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	<u>257,200</u>
Premium on bond issuance					<u>6,318</u>
Compensated absences					<u>8,392</u>
Total Solid Waste Funds					<u>506,910</u>
Total Proprietary Funds					<u>3,903,765</u>
Total Primary Government					<u>\$ 36,295,741</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Financed Purchase Obligations</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,953,194	\$ 589,340	\$ 42,617	\$ 5,236	\$ 2,995,811	\$ 594,576
2026	2,685,370	930,551	42,617	5,236	2,727,987	935,787
2027	852,900	832,143	18,878	3,544	871,778	835,687
2028	964,200	806,902	6,957	1,181	971,157	808,083
2029	996,500	776,705	-	-	996,500	776,705
2030-2034	5,452,800	3,402,250	-	-	5,452,800	3,402,250
2035-2039	6,339,100	2,487,162	-	-	6,339,100	2,487,162
2040-2044	4,982,500	1,542,875	-	-	4,982,500	1,542,875
2045-2049	3,717,300	739,410	-	-	3,717,300	739,410
2050-2054	<u>1,700,000</u>	<u>142,113</u>	<u>-</u>	<u>-</u>	<u>1,700,000</u>	<u>142,113</u>
	<u>\$ 30,643,864</u>	<u>\$ 12,249,451</u>	<u>\$ 111,069</u>	<u>\$ 15,197</u>	<u>\$ 30,754,933</u>	<u>\$ 12,264,648</u>

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Long-Term Liabilities – Business-Type Activities

Long-term obligations of the business-type activities at June 30, 2024 are comprised of the following:

Fiscal Year Ending June 30,	General Obligation Bonds							
	Water and Sewer Fund		Electric Fund		Solid Waste Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 6,000	\$ 15,834	\$ 160,000	\$ 72,117	\$ 17,400	\$ 12,796	\$ 183,400	\$ 100,747
2026	6,500	15,534	164,000	67,797	12,600	12,326	183,100	95,657
2027	6,500	15,209	168,000	63,369	7,600	11,958	182,100	90,536
2028	7,000	14,884	173,000	58,833	7,800	11,704	187,800	85,421
2029	7,500	14,534	177,000	54,162	8,000	11,434	192,500	80,130
2030-2034	43,000	66,795	961,000	196,425	212,200	41,525	1,216,200	304,745
2035-2039	48,500	57,225	868,000	59,400	19,400	22,892	935,900	139,517
2040-2044	362,500	38,570	-	-	145,000	15,430	507,500	54,000
2045-2049	155,500	4,972	-	-	62,200	1,989	217,700	6,961
	<u>\$ 643,000</u>	<u>\$ 243,557</u>	<u>\$ 2,671,000</u>	<u>\$ 572,103</u>	<u>\$ 492,200</u>	<u>\$ 142,054</u>	<u>\$ 3,806,200</u>	<u>\$ 957,714</u>

The City also has a line of credit with Truist Bank of \$2,100,000 with a balance of \$285,439 as of June 30, 2024.

General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property as the amount of general obligation borrowing which may be issued by the City. As of June 30, 2024, the City's Legal Debt Margin is as follows:

Total Assessed Value of Taxed Assessed Value	
Assessed value of real estate	<u>\$ 627,913,900</u>
Debt Limit - 10% of Total Assessed Value	\$ 62,791,390
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	\$ 30,643,864
Business-Type	<u>3,806,200</u>
Total General Obligation Debt	<u>34,450,064</u>
Legal Debt Margin	<u>\$ 28,341,326</u>

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2024.

The following provides the purpose for each debt issuance of the City of Franklin, Virginia.

<u>Debt Issuance</u>	<u>Reason for Debt Issuance</u>
Governmental Activities	
General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track resurfacing
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	Technology improvements for all schools; energy/HVAC improvements, roof repairs
General Obligation Refunding Bond, Series 2019	Refunding of Series 2015A, 2015B, and portion of Series 2010
General Obligation Bond, Series 2019B	Capital Projects
General Obligation Line of Credit Note, Series 2022	Capital Projects
General Obligation Bond, Series 2021A	Various capital projects, including, but not limited to, funding the City's contribution to a new courthouse serving the City and Southampton County, Virginia
General Obligation Refunding Bond, Series 2021B	Advance refunding of General Obligation Refunding Bond, Series 2013
Virginia Literary Fund Temporary Notes (2)	School roof projects and improvements
General Obligation Bond, Series 2023	Court facilities, Armory facilities, and other city projects
Business-Type Activities	
Water and Sewer Fund	
General Obligation Bonds - Public Improvement and Refunding Series 2010	Water/Sewer Line Extensions, Hunterdale Pump Station
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including water main improvement
General Obligation Bond, Series 2021A	Various capital projects
Electric Fund	
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including refurbishment of building to house City's electric department
General Obligation Bond, Series 2019B	Generation and Distribution Facilities Improvements
Solid Waste Fund	
General Obligation Bond 2019	Refunding of existing indebtedness
General Obligation Bond, Series 2021A	Various capital projects

9 Leases

City as Lessor

The City has entered into an agreement as lessor for various land properties. The lease agreements are summarized as follows:

<u>Property Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2024</u>
308 N. Main St.	9/6/2021	5 years	Varies, see schedule below	3.00%	\$ 2,512
Hunterdale 400 Fairview - ground space	4/13/2018	5 years	Varies, see schedule below	3.00%	2,588
					<u>\$ 5,100</u>

Remaining amounts to be received associated with these leases are as follows:

<u>Fiscal Year</u>	<u>Receivable Received</u>	<u>Interest Income</u>	<u>Total</u>
2025	\$ 3,731	\$ 62	\$ 3,793
2026	1,178	23	1,201
2027	191	-	191
Total	<u>\$ 5,100</u>	<u>\$ 85</u>	<u>\$ 5,185</u>

City as Lessee

Lease agreements resulting in lease liabilities are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2024</u>
Various Xerox copier machines from Xerox Financial Services and DSI (Document Systems, Inc.)	Various	24 to 60 months	Varies	3.00%	\$ 31,774
Canon copier machines	Various	24 to 60 months	\$431 and \$68/month	3.00%	4,397
Enterprise - vehicles	Various	60 months	Varies	4.00%	34,195
Pitney Bowes SendPro series machine	Various	36 and 60 months	\$150/mo. and \$788/qtr.	3.00%	6,920
					<u>\$ 77,286</u>

	<u>Balance</u> <u>July 1,</u> <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2024</u>	<u>Due Within</u> <u>One Year</u>
Lease Liabilities	\$ 95,984	\$ -	\$ 18,698	\$ 77,286	\$ 25,324

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 25,324	\$ 2,114
2026	18,234	1,344
2027	15,369	698
2028	9,882	160
2029	<u>8,477</u>	<u>-</u>
Totals	<u>\$ 77,286</u>	<u>\$ 4,316</u>

Component Unit – School Board

<u>Leases</u>	<u>Amount</u> <u>Outstanding</u>
\$1,633,726 obligation for energy efficient equipment, issued January 1, 2018 payable in varying quarterly installments through December 6, 2028, interest at 4.01%.	\$ 837,802
\$138,018 copier lease, issued August 11, 2020 payable in monthly installments of \$2,480 through August 11, 2025, interest at 3%.	34,078
\$43,131 copier lease, issued August 11, 2020 payable in monthly installments of \$775 through August 11, 2025, interest at 3%.	<u>10,650</u>
Total Leases	<u>\$ 882,530</u>

	<u>Balance</u> <u>July 1,</u> <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2024</u>	<u>Due Within</u> <u>One Year</u>
Lease Liabilities	\$ 1,071,104	\$ -	\$ 188,574	\$ 882,530	\$ 201,604

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Component Unit -</u> <u>School Board</u> <u>Lease Liability</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 201,604	\$ 28,123	\$ 229,727
2026	182,404	20,493	202,897
2027	189,163	13,115	202,278
2028	203,128	5,218	208,346
2029	<u>106,231</u>	<u>4</u>	<u>106,235</u>
	<u>\$ 882,530</u>	<u>\$ 66,953</u>	<u>\$ 949,483</u>

10 Subscription-Based Information Technology Arrangements

Subscription-Based Information Technology Arrangements (SBITA) liabilities for the City are summarized as follows:

Governmental Activities

<u>Description</u>	<u>Date</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2024</u>
ePlus Technology Services (CISCO Webex)	7/28/2023	5 years	\$ 29,445	5.00%	\$ 104,129
Web Services, Revize, Hosting and Design	7/1/2023	5 years	\$ 4,550	5.00%	16,091
					<u>\$ 120,220</u>

Future subscription payments under SBITA agreements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Subscriptions Interest</u>	<u>Total</u>
2025	\$ 27,844	\$ 6,151	\$ 33,995
2026	29,269	4,726	33,995
2027	30,766	3,229	33,995
2028	32,341	1,654	33,995
Totals	<u>\$ 120,220</u>	<u>\$ 15,760</u>	<u>\$ 135,980</u>

Amortization expense by class of underlying asset is as follows:

	<u>Year Ending June 30, 2024</u>
Software	\$ 120,220
Total	<u>\$ 120,220</u>

Summary of changes in SBITA agreements is as follows:

	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Subscriptions	\$ -	\$ 149,111	\$ 28,891	\$ 120,220	\$ 27,844

Subscription-Based Information Technology Arrangements (SBITA) liabilities for the Component Unit School Board are summarized as follows:

Component Unit School Board

<u>Description</u>	<u>Date</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2024</u>
Smoothwall Software	6/2023	Annually for 2 years	\$16,907	3.25%	\$ 16,367
Stormwind Software	7/2022	Monthly for 3 years	\$287	3.25%	3,381
					<u>\$ 19,748</u>

Future subscription payments under SBITA agreements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Subscriptions Interest</u>	<u>Total</u>
2025	\$ 19,748	\$ 600	\$ 20,348
Totals	<u>\$ 19,748</u>	<u>\$ 600</u>	<u>\$ 20,348</u>

Amortization expense by class of underlying asset is as follows:

	<u>Year Ending June 30, 2024</u>
Software	<u>\$ 19,748</u>
Total	<u>\$ 19,748</u>

Summary of changes in SBITA agreements is as follows:

	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Subscriptions	\$ 38,864	\$ -	\$ 19,116	\$ 19,748	\$ 19,748

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2024 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - School Board</u>
Net Investment in Capital Assets			
Cost of Capital Assets	\$ 59,363,604	\$ 41,708,075	\$ 35,871,993
Less: Accumulated depreciation/amortization	<u>(25,302,268)</u>	<u>(28,942,261)</u>	<u>(18,543,411)</u>
Book value	34,061,336	12,765,814	17,328,582
Less: Capital related debt	(22,634,933)	(2,671,000)	-
Less: Lease liabilities	(77,286)	-	(882,530)
Less: SBITA liabilities	(120,220)	-	(19,748)
Less: Refunded capital related debt	(8,120,000)	(1,135,200)	-
Add: Restricted cash held for capital assets	-	1,671,493	-
Add: Loss on refunding	315,676	4,172	-
Less: Bond premiums	<u>(695,060)</u>	<u>(22,114)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 2,729,513</u>	<u>\$ 10,613,165</u>	<u>\$ 16,426,304</u>

12 Compensated Absences

City employees earn annual leave at the rate of 17 to 29 days per year depending on length of service. A maximum of 34 to 58 days of annual leave, depending on length of service, may be carried over to succeeding years and may be paid if not used prior to termination. The governmental and business-type activities have outstanding accrued vacation totaling \$941,983 and \$75,451, respectively, as of June 30, 2024. The general fund has normally been used in prior years to liquidate the liability for compensated absences.

City employees no longer earn sick leave. A policy was adopted on January 1, 2002, in which all compensated absences are classified as annual leave. Any unused sick leave accrued as of January 1, 2002, was placed in a "sick leave bank" which can be used in the event of illness or injury in lieu of using paid time off days. Up to 3 days of banked sick leave may also be used annually for the sickness of an immediate family member. Employees who leave employment after 5 years or more of continuous service are paid for 25% of their sick leave balance (earned prior to January 1, 2002) based on their final rate of pay; however, the total amount of sick leave compensation may not exceed \$2,500.

Twelve-month employees of the City of Franklin Public Schools earn annual vacation leave as follows:

<u>Years of Experience</u>	<u>Rate</u>	<u>Days Per Year</u>
1 - 7	1 day per month	12
8 - 12	1-1/4 days per month	15
13 and over	1-1/2 days per month	18

Vacation leave is accumulated monthly. Employees may accumulate leave not to exceed a total of 24 months unless authorized by the Superintendent. Upon resignation or retirement from employment with the school system, an employee will be paid for unused vacation leave up to 24 months.

All employees of the City of Franklin Public Schools earn one day per month of sick leave. Employees who retire under provisions of the Virginia Retirement System Act while employed by the City of Franklin Public Schools will receive severance compensation for unused sick leave at a rate of \$30 per day, not to exceed 200 days. The school system will accept transfer of up to 90-days accumulated unused sick leave earned by an employee while employed by another local school division or an institution accredited by the Virginia Department of Education. At June 30, 2024, accumulated unpaid vacation amounted to \$224,520. Sick leave is not recorded, as the pay out of sick leave is only upon retirement of employees which is undeterminable.

13 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources:

Delinquent taxes not collected within 60 days	\$ 800,792
Deferred inflows - leases receivable	4,742
Deferred inflows - Opioid settlement	<u>131,152</u>
Total Deferred Inflows of Resources	<u>\$ 936,686</u>

14 Pension Plan

Plan Description

All full-time, salaried permanent (professional) employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. In addition, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees and employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. *Teachers:* Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law until age 73.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID
RETIREMENT PLAN
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - City</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	14	14
Inactive members:		
Vested inactive members	1	1
Non-vested inactive members	12	12
LTD	0	0
Inactive members active elsewhere in VRS	12	12
Active members	<u>25</u>	<u>25</u>
Total covered employees	<u>64</u>	<u>64</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The City of Franklin's (55232) contractually required contribution rate for the year ended June 30, 2024 was 13.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The rate for the Franklin City Public Schools (55606) was 0%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Franklin (55232) were \$1,410,229 and \$1,267,134 for the years ended June 30, 2024 and June 30, 2023, respectively.

For Franklin City Public Schools (55606), employer contributions were \$-0- and \$-0- for the years ended June 30, 2024 and June 30, 2023, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2024 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from Franklin City Public Schools – Teachers (40232) were \$1,420,825 and \$1,275,544 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a nonemployer contribution. The Franklin City Public Schools – Teachers (40232) proportionate share is reflected in the fringe benefits line item of our financial statements.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For City of Franklin (55232), the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$57,574,609
Plan Fiduciary Net Position	<u>47,467,405</u>
Employer's Net Pension Liability (Asset)	<u><u>\$10,107,204</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.45%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Actuarial Assumptions – General Employees and School Division – Teachers

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2022 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation	6.75%, net of pension plan investment expenses, including inflation

Political Subdivisions

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Divisions – Teachers

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2023, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 112% of the actuarially determined contribution rate. From July 1, 2023 on, participating employers and school divisions are assumed to continue to contribute 100% and 112% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - City

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 43,935,980	\$ 41,526,797	\$ 2,409,183
Changes for the Year			
Service cost	1,159,103	-	1,159,103
Interest	2,951,036	-	2,951,036
Assumption changes	-	-	-
Differences between expected and actual experience	(163,084)	-	(163,084)
Contributions - employer	-	1,208,034	(1,208,034)
Contributions - employee	-	434,900	(434,900)
Net investment income	-	2,653,266	(2,653,266)
Benefit payments, including refunds of employee contributions	(2,752,076)	(2,752,076)	-
Administrative expenses	-	(26,722)	26,722
Other changes	-	1,065	(1,065)
Net Changes	<u>1,194,979</u>	<u>1,518,467</u>	<u>(323,488)</u>
Balances at June 30, 2023	<u>\$ 45,130,959</u>	<u>\$ 43,045,264</u>	<u>\$ 2,085,695</u>

Component Unit School Board - General Employees

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 1,693,014	\$ 2,390,631	\$ (697,617)
Changes for the Year			
Service cost	44,478	-	44,478
Interest	113,474	-	113,474
Assumption changes	-	-	-
Differences between expected and actual experience	(4,526)	-	(4,526)
Contributions - employer	-	-	-
Contributions - employee	-	29,494	(29,494)
Net investment income	-	152,649	(152,649)
Benefit payments, including refunds of employee contributions	(112,778)	(112,778)	-
Administrative expenses	-	(1,561)	1,561
Other changes	-	60	(60)
Net Changes	<u>40,648</u>	<u>67,864</u>	<u>(27,216)</u>
Balances at June 30, 2023	<u>\$ 1,733,662</u>	<u>\$ 2,458,495</u>	<u>\$ (724,833)</u>

Sensitivity of the City of Franklin (55232), the Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Primary Government - City Political subdivision's Net Pension Liability	<u>\$ 7,481,974</u>	<u>\$ 2,085,695</u>	<u>\$ (2,319,972)</u>
Component Unit School Board - General Employees Net Pension Liability (Asset)	<u>\$ (508,620)</u>	<u>\$ (724,833)</u>	<u>\$ (887,722)</u>
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 14,476,507</u>	<u>\$ 8,166,621</u>	<u>\$ 2,979,377</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the City of Franklin (55232) recognized pension expense of \$379,836.

For the year ended June 30, 2024, the Franklin City Public Schools (55606) recognized pension expense of \$(102,984).

At June 30, 2024, Franklin City Public Schools – Teachers (40232) reported a liability of \$8,166,621 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. Franklin City Public Schools – Teachers (40232) proportion of the Net Pension Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the pension plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, Franklin City Public Schools – Teachers (40232) proportion was .08080% as compared to .07390% at June 30, 2022.

For the year ended June 30, 2024, Franklin City Public Schools – Teachers (40232) recognized pension expense of \$567,986. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - City's Political Subdivision		
Differences between expected and actual experience	\$ -	\$ 295,156
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	704,281
Employer contributions subsequent to the measurement date	<u>1,410,229</u>	<u>-</u>
Total	<u>\$ 1,410,229</u>	<u>\$ 999,437</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ -	\$ 9,586
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	39,233
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 48,819</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ 701,520	\$ 318,696
Change in assumptions	370,222	-
Net difference between projected and actual earnings on pension plan investments	-	530,995
Changes in proportion and differences between Employer contributions and proportionate share of contributions	828,886	511,566
Employer contributions subsequent to the measurement date	<u>1,420,825</u>	<u>-</u>
Total	<u>\$ 3,321,453</u>	<u>\$ 1,361,257</u>

\$1,410,229 for the City of Franklin (55232), \$-0- for Franklin City Public Schools (55606), and \$1,420,825 for Franklin City Public Schools - Teachers (40232) reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary Government -
City's Political Subdivision**

2025	\$ (748,995)
2026	(871,339)
2027	598,599
2028	22,298
2029	-
Thereafter	-

**Component Unit School
Board - General Employees**

2025	\$ (36,632)
2026	(47,929)
2027	34,572
2028	1,170
2029	-
Thereafter	-

**Component Unit School
Board - Teachers**

2025	\$ (194,512)
2026	(291,010)
2027	751,054
2028	273,839
2029	-
Thereafter	-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Aggregate Pension Information

	Primary Government					Component Unit School Board				
	Deferred Outflows	Deferred Inflows	Net Pension Liability	Net Pension (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Net Pension (Asset)	Pension Expense
VRS Pension Plans										
Primary Government	\$ 1,410,229	\$ 999,437	\$ 2,085,695	\$ -	\$ 379,836	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	-	48,819	-	(724,833)	(102,984)
School Board - Teachers	-	-	-	-	-	3,321,453	1,361,257	8,166,621	-	567,986
Totals	<u>\$ 1,410,229</u>	<u>\$ 999,437</u>	<u>\$ 2,085,695</u>	<u>\$ -</u>	<u>\$ 379,836</u>	<u>\$ 3,321,453</u>	<u>\$ 1,410,076</u>	<u>\$ 8,166,621</u>	<u>\$ (724,833)</u>	<u>\$ 465,002</u>

15 Other Post-Employment Benefits - Group Life Insurance

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - Accidental dismemberment benefit - Safety belt benefit - Repatriation benefit - Felonious assault benefit - Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$56,733 and \$50,863 for the years ended June 30, 2024 and June 30, 2023, respectively.

For the school board – general employees, contributions were \$4,257 and \$3,949 for the years ended June 30, 2024 and June 30, 2023, respectively.

For the school board – teachers, contributions were \$48,968 and \$44,334 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in the fringe benefits line item of our financial statements.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2024, the participating employer reported a liability of \$479,126 for the City's political subdivision, \$37,179 for the school board – general employees, and \$417,961 for the school board - teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .03995% for the City's political subdivision, .00310% for the school board – general employees, and .03485% for the school board – teacher proportionate share as compared to .35690% for the City's political subdivision, .00320% for the school board – general employees, and .03200% for the school board – teacher proportionate share at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$17,201 for the City's political subdivision, \$3,958 for the school board – general employees, and \$(143) for the school board – teacher proportionate share. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - City's Political Subdivision		
Differences between expected and actual experience	\$ 47,853	\$ 14,544
Net difference between projected and actual earnings on GLI OPEB program investments	-	19,254
Change in assumptions	10,242	33,196
Changes in proportionate share	61,006	36,905
Employer contributions subsequent to the measurement date	<u>56,733</u>	<u>-</u>
Total	<u>\$ 175,834</u>	<u>\$ 103,899</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 3,713	\$ 1,129
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,494
Change in assumptions	795	2,576
Changes in proportionate share	8,553	1,527
Employer contributions subsequent to the measurement date	<u>4,257</u>	<u>-</u>
Total	<u>\$ 17,318</u>	<u>\$ 6,726</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ 41,744	\$ 12,687
Net difference between projected and actual earnings on GLI OPEB program investments	-	16,796
Change in assumptions	8,934	28,958
Changes in proportionate share	50,556	47,932
Employer contributions subsequent to the measurement date	<u>48,968</u>	<u>-</u>
Total	<u>\$ 150,202</u>	<u>\$ 106,373</u>

\$56,733 for the City's political subdivision, \$4,257 for the School Board general employees, and \$48,968 for the Teacher pool reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary
Government -
City's Political
Subdivision**

2025	\$ (5,617)
2026	(20,909)
2027	14,136
2028	13,990
2029	13,602
Thereafter	-

**Component Unit
School Board -
General
Employees**

2025	\$ 2,021
2026	582
2027	2,472
2028	1,185
2029	75
Thereafter	-

**Component Unit
School Board -
Teachers**

2025	\$ (13,622)
2026	(19,384)
2027	14,082
2028	3,682
2029	10,103
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation -	
Teachers	3.50% - 5.95%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	<u>2,707,739</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ <u>710,214</u>	\$ <u>479,126</u>	\$ <u>292,289</u>
Component Unit School Board - General Employees	\$ <u>55,110</u>	\$ <u>37,179</u>	\$ <u>22,681</u>
Component Unit School Board - Teacher	\$ <u>619,548</u>	\$ <u>417,961</u>	\$ <u>254,976</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
Eligible Employees	The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts	The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • <i>At Retirement:</i> For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • <i>Disability Retirement:</i> For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
Health Insurance Credit Program Notes:	• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No Health Insurance Credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>School Board Number</u>
Inactive members or their beneficiaries currently receiving benefits	8
Vested inactive members	-
Active members	<u>37</u>
Total covered employees	<u><u>45</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Franklin City Public Schools (55606) contractually required employer contribution rate for the year ended June 30, 2024 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools (55606) to the Political Subdivision Health Insurance Credit Program were \$-0- and \$-0- for the years ended June 30, 2024 and June 30, 2023, respectively.

Net HIC OPEB Liability

Franklin City Public Schools (55606) net Health Insurance Credit OPEB liability was measured as of June 30, 2023. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	
Locality - General Employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Component Unit School Board - General Employees			
Balances at June 30, 2022	\$ 30,451	\$ 37,194	\$ (6,743)
Changes for the Year			
Service cost	425	-	425
Interest	1,982	-	1,982
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	8,661	-	8,661
Contributions - employer	-	-	-
Net investment income	-	2,095	(2,095)
Benefit payments	(3,033)	(3,033)	-
Administrative expenses	-	(48)	48
Other changes	-	48	(48)
Net Changes	8,035	(938)	8,973
Balances at June 30, 2023	<u>\$ 38,486</u>	<u>\$ 36,256</u>	<u>\$ 2,230</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Component Unit School Board - General Employees Net HIC OPEB Liability (Asset)	<u>\$ 5,979</u>	<u>\$ 2,230</u>	<u>\$ (958)</u>

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2024, Franklin City Public Schools (55606) recognized Health Insurance Credit Program OPEB expense \$(808). At June 30, 2024, Franklin City Public Schools (55606) reported deferred outflows of resources and deferred inflows of resources related to Franklin City Public Schools (55606) Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 6,268	\$ 5,150
Net difference between projected and actual earnings on HIC OPEB program investments	-	403
Change in assumptions	2,665	88
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 8,933</u>	<u>\$ 5,641</u>

\$-0- reported as deferred outflows of resources related to the HIC OPEB resulting from the Franklin City Public Schools (55606) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
Component Unit School Board - General Employees	
2025	\$ 578
2026	856
2027	1,812
2028	46
2029	-
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

17 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- *At Retirement:* For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- *Disability Retirement:* For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
 - Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.
-

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2024 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was the final approved General Assembly rate which based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools – Teachers (40232) to the VRS Teacher Employee Health Insurance Credit Program were \$109,205 and \$98,789 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The Franklin City Public Schools – Teachers (40232) proportionate share is reflected in the fringe benefits line item of our financial statements.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2024, Franklin City Public Schools – Teachers (40232) reported a liability of \$991,909 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2023 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. Franklin City Public Schools – Teachers (40232) proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, Franklin City Public Schools – Teachers (40232) proportion of the VRS Teacher Employee Health Insurance Credit Program was .08190% as compared to .07399% at June 30, 2022.

For the year ended June 30, 2024, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$46,580. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2024, Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 43,659
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	498	-
Change in assumptions	23,090	1,000
Changes in proportionate share and differences between actual and expected contributions	122,936	136,757
Employer contributions subsequent to the measurement date	<u>109,205</u>	<u>-</u>
Total	<u>\$ 255,729</u>	<u>\$ 181,416</u>

\$109,205 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2025	\$ (32,437)
2026	(21,422)
2027	(3,660)
2028	7,759
2029	5,456
Thereafter	9,412

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation - Teacher Employees	3.50% - 5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,475,471
Plan Fiduciary Net Position		<u>264,054</u>
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,211,417</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		17.90%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be

subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of Franklin City Public Schools – Teachers (40232) Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents Franklin City Public Schools - Teachers (40232) proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what Franklin City Public Schools - Teachers (40232) proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's Proportionate Share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	<u>\$ 1,121,959</u>	<u>\$ 991,909</u>	<u>\$ 881,702</u>

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 Other Post-Employment Benefits - Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

Benefit Amounts

LODA provides death and health insurance benefits for eligible individuals:

Death: The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after
- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health Insurance: The LODA program provides health insurance benefits.

- The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024 was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$97,318 and \$69,548 for the years ended June 30, 2024 and June 30, 2023, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2024, the entity reported a liability of \$2,101,032 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was .52408% as compared to .52201% at June 30, 2022.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$340,642. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 112,072	\$ 395,623
Net difference between projected and actual earnings on LODA OPEB program investments	-	6,147
Change in assumptions	466,664	433,244
Changes in proportionate share	602,652	85,583
Employer contributions subsequent to the measurement date	<u>97,318</u>	<u>-</u>
Total	<u>\$ 1,278,706</u>	<u>\$ 920,597</u>

\$97,318 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2025	\$ 48,645
2026	48,838
2027	55,801
2028	44,184
2029	28,139
Thereafter	35,184

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation - Locality employees	N/A
Medical cost trend rates assumption - Under age 65	7.00% - 4.75%
Ages 65 and older	5.25% - 4.75%
Year of ultimate trend rate Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.86%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$406,211
Plan Fiduciary Net Position	<u>5,311</u>
LODA Net OPEB Liability (Asset)	<u>\$400,900</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.31%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.86% or one percentage point higher 4.86% than the current rate:

	<u>1.00% Decrease 2.86%</u>	<u>Current Discount Rate 3.86%</u>	<u>1.00% Increase 4.86%</u>
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	<u>\$ 2,355,757</u>	<u>\$ 2,101,032</u>	<u>\$ 1,885,539</u>

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 1,781,747	\$ 2,101,032	\$ 2,496,678

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
 - VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.
-

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2024 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$35,626 and \$30,153 for the years ended June 30, 2024 and June 30, 2023, respectively.

For the school board – general employees, contributions to the VRS Political Subdivision Employee Virginia Local Disability Program were \$5,366 and \$4,710 for the years ended June 30, 2024 and June 30, 2023, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2024, the political subdivision reported a liability (asset) of \$(9,325) and \$(1,457) school board – general employees for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2023 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .57957% and .09050% school board – general employees as compared to .55048% and .11330% school board – general employees at June 30, 2022.

For the year ended June 30, 2024, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$23,543 and \$3,781 school board – general employees. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,501	\$ 5,809
Net difference between projected and actual earning on Political Subdivision VLDP OPEB program investments	23	-
Change in assumptions	62	854
Changes in proportion	573	879
Employer contributions subsequent to the measurement date	<u>35,626</u>	<u>-</u>
Total	<u>\$ 39,785</u>	<u>\$ 7,542</u>

**Component Unit - School Board
General Employees**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 547	\$ 907
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	4	-
Change in assumptions	10	133
Changes in proportion	256	7
Employer contributions subsequent to the measurement date	<u>5,366</u>	<u>-</u>
Total	<u>\$ 6,183</u>	<u>\$ 1,047</u>

\$35,626 for the City's political subdivision and \$5,366 for the component unit – school board general employees reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary
Government -
City's Political
Subdivision**

2025	\$ (382)
2026	(1,526)
2027	240
2028	(178)
2029	(697)
Thereafter	(840)

**Component Unit -
School Board
General
Employees**

2025	\$ 41
2026	(161)
2027	78
2028	6
2029	(85)
Thereafter	(109)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation - Political subdivision employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision Employee VLDP OPEB Liability	\$	9,525
Plan Fiduciary Net Position		<u>11,134</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u>(1,609)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		116.89%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability (Asset)	\$ <u>(4,886)</u>	\$ <u>(9,325)</u>	\$ <u>(13,215)</u>
Covered Employers Proportionate Share of the VRS School Board General Employees VLDP OPEB Plan Net OPEB Liability (Asset)	\$ <u>(763)</u>	\$ <u>(1,457)</u>	\$ <u>(2,064)</u>

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

20 Other Post-Employment Benefits - Teacher Employee Virginia Local Disability Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2024 was 0.47% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$24,933 and \$22,673 for the years ended June 30, 2024 and June 30, 2023, respectively.

Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB

At June 30, 2024, the school division reported a liability of \$3,430 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability (Asset). The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability (Asset) was measured as of June 30, 2023 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was .51660% as compared to .44090% at June 30, 2022.

For the year ended June 30, 2024 the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$18,003. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,052	\$ 1,503
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	106	-
Change in assumptions	1,491	-
Changes in proportionate share	156	1,808
Employer contributions subsequent to the measurement date	<u>24,933</u>	<u>-</u>
Total	<u><u>\$ 41,738</u></u>	<u><u>\$ 3,311</u></u>

\$24,933 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2025	\$	1,186
2026		1,075
2027		1,880
2028		1,371
2029		1,372
Thereafter		6,610

Actuarial Assumptions

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation - Teacher employees	3.50% - 5.95%
Investment rate of return	6.75%, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally;
110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally;
110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	\$ 10,672
Plan Fiduciary Net Position	<u>10,007</u>
Teacher Employee VLDP Net OPEB Liability (Asset)	<u><u>\$ 665</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	93.77%

The total Teacher Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee VLDP OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate Share of the VRS Teacher Employee VLDP OPEB Plan Net OPEB Liability (Asset)	\$ 9,667	\$ 3,430	\$ (1,994)

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

21 Other Post-Employment Benefits Program

Background

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and nonpension benefits, such as the City's retiree health benefit subsidy. Historically, the City's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the City accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. This funding methodology mirrors the funding approach used for pension benefits.

City

A. Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement.

Individuals who retire from City service with full VRS benefits (i.e., 50 years of age and 30 years of continuous service) and 10 years (retirees employed after June 30, 2004) or 5 years (retirees employed prior to July 1, 2004) of service with the City, are eligible for medical insurance and dental coverage benefits under the City's plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Participating retirees are responsible for the insurance premium (health and dental) at the same cost as for

active employees. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan. In addition, retirees employed after June 30, 2004 and all retirees with less than 10 years of service with the City must pay a 2.00% administrative fee. A separate report was not issued for the plan.

C. Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2024. This is the date as of which the City's total OPEB liability is determined. The Reporting Date is June 30, 2024. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation and measurement dates.

Participant Data as of July 1, 2022

	<u>Number</u>
Actives	170
Retirees	13
Spouses of retirees	1
Beneficiaries	-
Total	<u>184</u>

D. Total OPEB Liability

Total OPEB Liability

June 30, 2024

Total OPEB Liability	\$	2,233,710
Covered Payroll		8,823,965
Total OPEB liability as a % of covered payroll		25.31%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

E. Discount Rate

Discount Rate

Discount rate	3.93%
20 Year Tax-Exempt Municipal Bond Yield	3.93%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

F. Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2024 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Other Key Actuarial Assumptions

	<u>June 30, 2024</u>
Valuation Date	July 1, 2022
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Healthcare Cost Trend Rate	3.70%

Please see Milliman's July 1, 2022 OPEB valuation report dated June 30, 2023 for more details.

G. Changes in Total OPEB Liability

	<u>Increase (Decrease) Total OPEB Liability</u>
Balance as of June 30, 2023	\$ 2,339,622
Changes for the Year	
Service cost	71,888
Interest on total OPEB liability	83,942
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(36,295)
Benefit payments	<u>(225,447)</u>
Net Changes	<u>(105,912)</u>
Balance as of June 30, 2024	<u><u>\$ 2,233,710</u></u>

H. Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.93%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current rate.

	1% Decrease <u>2.93%</u>	Discount Rate <u>3.93%</u>	1% Increase <u>4.93%</u>
Political subdivision's Total OPEB liability	\$2,367,425	\$ 2,233,710	\$2,110,947

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Political subdivision's Total OPEB liability	\$2,048,268	\$ 2,233,710	\$2,443,637

I. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the City recognized retiree health insurance OPEB expense of \$183,896.

As of June 30, 2024, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 155,902	\$ 71,389
Change of assumptions	45,698	165,480
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 201,600</u>	<u>\$ 236,869</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2025	\$ (344)
2026	(12,249)
2027	(15,622)
2028	(7,054)
2029	-
Thereafter	-

School Board

A. Plan Description

The School Board provides postemployment medical coverage for retired employees through a single- employer defined benefit plan. The School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

B. Benefits Provided

Employees who retire from the School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

C. Plan Membership

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

	<u>Number</u>
Actives	<u>153</u>
Total	<u><u>153</u></u>

D. Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board.

E. Total OPEB Liability

The School Board's total OPEB liabilities were measured as of June 30, 2024. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2022.

F. Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuations report was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Healthcare cost trend rate	3.70%
Salary increases	2.50%
Discount rate	3.93%

G. Discount Rate

The discount rate has been set equal to 3.93% and represents the 20-year tax-exempt municipal bond yield as of July 1, 2023.

H. Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2023	\$ 474,985
Changes for the Year	
Service cost	31,184
Interest	18,202
Effect of economic/demographic gains (losses)	-
Changes in assumptions	(9,549)
Benefit payments	<u>(15,119)</u>
Net Changes	<u>24,718</u>
Balance as of June 30, 2024	<u>\$ 499,703</u>

I. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	1% Decrease <u>2.93%</u>	Current Discount Rate <u>3.93%</u>	1% Increase <u>4.93%</u>
Schools'			
Total OPEB liability	\$ 534,392	\$ 499,703	\$ 466,743

J. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 3.70%:

	1% Decrease <u>2.70%</u>	Healthcare Cost Trend Rate <u>3.70%</u>	1% Increase <u>4.70%</u>
Schools'			
Total OPEB liability	\$ 445,216	\$ 499,703	\$ 562,534

K. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the School Board recognized OPEB expense in the amount of \$14,799. Deferred outflows of resources and deferred inflows of resources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,323	\$ 43,508
Changes in assumptions	2,797	44,071
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ <u>27,120</u>	\$ <u>87,579</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future reporting periods as follows:

Year Ended <u>June 30,</u>	
2025	\$ (28,469)
2026	(28,469)
2027	(3,521)
2028	-
2029	-
Thereafter	-

22 Aggregate OPEB Information

Aggregate OPEB information is as follows:

	Primary Government					Component Unit School Board				
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense
VRS OPEB Plans										
<i>Group Life Insurance</i>										
Primary Government	\$ 175,834	\$ 103,899	\$ 479,126	\$ -	\$ 17,201	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	17,318	6,726	37,179	-	3,958
School Board - Teachers	-	-	-	-	-	150,202	106,373	417,961	-	(143)
<i>Health Insurance Credit</i>										
School Board - General Employees	-	-	-	-	-	8,933	5,641	2,230	-	(808)
School Board - Teachers	-	-	-	-	-	255,729	181,416	991,909	-	46,580
<i>Line of Duty Act Program</i>										
Primary Government	1,278,706	920,597	2,101,032	-	340,642	-	-	-	-	-
<i>Virginia Local Disability Program</i>										
Primary Government	39,785	7,542	-	(9,325)	23,543	-	-	-	-	-
School Board - General Employees	-	-	-	-	-	6,183	1,047	-	(1,457)	3,781
School Board - Teachers	-	-	-	-	-	41,738	3,311	3,430	-	18,003
Retiree Health Insurance										
City	201,600	236,869	2,233,710	-	183,896	-	-	-	-	-
School Board	-	-	-	-	-	27,120	87,579	499,703	-	14,799
Totals	\$1,695,925	\$1,268,907	\$4,813,868	\$ (9,325)	\$565,282	\$507,223	\$392,093	\$1,952,412	\$ (1,457)	\$ 86,170

23 Joint Ventures and Related Organizations

Blackwater Regional Library

The City participates in the operation of the Blackwater Regional Library that serves Southampton County, City of Franklin, Towns of Smithfield, Wakefield, and Waverly and three neighboring counties. Separate financial statements are available from the Blackwater Regional Library.

Franklin-Southampton Economic Development Commission

The City participates in the operation of the Franklin-Southampton Economic Development Commission that operates in the City of Franklin and Southampton County. Separate financial statements are available from the Franklin-Southampton Economic Development Commission.

Western Tidewater Regional Jail Authority

The City participated in the construction of the facilities for the Western Tidewater Regional Jail Authority located in the City of Franklin. The jail became operational in July 1992. Operational funding surpluses and deficiencies are shared by member jurisdictions based on their ownership percentages. Separate financial statements are available from the Western Tidewater Regional Jail Authority.

Western Tidewater Community Services Board

The City participates in the operation of the Western Tidewater Community Services Board that serves the City of Franklin and the counties of Isle of Wight and Southampton. Separate financial statements are available from the Western Tidewater Community Services Board.

24 Contingent Liabilities

Federal programs in which the City participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to these requirements, certain programs were tested for compliance with applicable grant requirements. The Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, future disallowances of current program expenditures, if any, would be immaterial.

General obligation bonds of \$3,806,200 have been recorded in the Enterprise Funds from which repayment is anticipated. The General Fund has a contingent liability for repayment of the aforementioned amounts should the Enterprise Funds be unable to pay.

Health insurance coverage for some full-time salaried employees of the City of Franklin and the Component Unit – School Board is obtained through Local Choice. This employee health insurance fund is an account established by the Commonwealth Treasury and maintained by the Department of Accounts within which contributions to the plan are deposited. The yearly premiums paid into the plan are adjusted for deviations in claim experience. Employees may choose to terminate participation in the health benefits program with a 90-day notice. The local employer is responsible for any adverse experience adjustments that apply to the terminating year and any prior year within which the employer participated in the program. No estimate can be made as to possible future costs in excess of monthly premiums paid.

25 Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has no tax abatement agreements with any entities as of June 30, 2024.

26 Annexations

Southampton County

The City entered into an annexation agreement with Southampton County (County) that provided for annexation in two phases. Annexation of the Phase I area, 3.93 square miles with 3.1% of the County's population per the 1980 census, was effective December 31, 1985. Annexation of the Phase II area, 0.73 square miles with 1.96% of the County's population, was effective December 31, 1995. As part of Phase I, the City agreed to pay to the County 3.798% of all the County's future obligations on general obligation debt existing at December 31, 1985. As part of Phase II, the City agreed to pay the County 2.04% of all the County's future obligations on general obligation debt existing at December 31, 1996. In addition, the City compensated the County for estimated loss of tax revenue through fiscal year 2007. The City further agreed not to institute, participate in or support, directly or indirectly, any further annexation of Southampton County prior to December 31, 2010.

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 15 of each year, 30% of local tax revenue collected through June 30 of that year by industries and commercial establishments located within this area that are served by City water and sewer treatment. The City is required to provide potable water for non-residential use to industrial and commercial businesses in the designated area and receive wastewater from

such businesses. The agreement is to remain in effect in perpetuity as adopted, subject to amendment by agreement of the parties, except if the City, or a City water and/or sewer authority decides to discontinue operation of both its water and sewer treatment systems, the agreement may be voided upon two years' notice to the County. The designated area, which includes all portions of the County immediately contiguous to the City, is immune from annexation as long as the agreement remains in force and the City exists as a political subdivision in the nature of a city. For the year ending June 30, 2024, the City received \$51,753 in tax revenue from the County under this agreement.

County of Isle of Wight

On March 11, 1986, the City entered into an agreement with the County of Isle of Wight whereby the City waived any and all of its rights and power to seek annexation of the County of Isle of Wight's territory within a designated area adjacent to the City. The agreement became effective when approved by the Court on April 13, 1987. In return, the County of Isle of Wight agreed to share with the City all local tax revenues collected within the designated area using the following percentages:

<u>Fiscal Year Ending</u>	<u>Percentage</u>
1986	5%
1987	10%
1988-1995	20%
1996-2016	17.8%
2017 and thereafter	¹ 21.8%

¹As adjusted by formula

The local revenues are payable to the City by the County of Isle of Wight on August 1, following the end of the fiscal year. During the year ended June 30, 2024, the City received \$816,565 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2024.

27 Fund Balances

Portions of the General Fund balance are as follows:

- Fund balance in the amount of \$969,874 is nonspendable due to long-term receivable from the airport fund.
- Fund balance in the amount of \$5,100 is nonspendable for net lease receivables.
- Fund balance in the amount of \$433,269 is restricted for general government.
- Fund balance in the amount of \$1,746,813 is restricted for capital needs of public safety.
- Fund balance in the amount of \$2,925,672 is restricted for public works.
- Fund balance in the amount of \$233,620 is restricted for parks, recreation, and cultural.
- Fund balance in the amount of \$321,396 is restricted for community development.
- Fund balance in the amount of \$1,855,470 is restricted for capital projects.

- Fund balance in the amount of \$203,823 is restricted for debt service.
- Fund balance in the amount of \$920,611 is assigned for fiscal year 2025 budgets.
- Fund balance in the amount of \$549,910 is committed for open purchase orders existing at June 30, 2024.
- Fund balance in the amount of \$11,080,837 is unassigned and available for subsequent expenditures.

Portions of the Capital Projects Fund are as follows:

- Fund balance in the amount of \$12,424,230 is restricted for expenditures for capital projects.

28 Risk Management

The City and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Surety bonds of the City of Franklin, Virginia are as follows:

Division of Risk Management Surety

Commonwealth Funds

Commissioner of Revenue	Selenia R. Boone	\$ 3,000
Treasurer	Dinah M. Babb	500,000

29 Litigation

County of Isle of Wight v. International Paper Company, a New York Corporation, SCV Record No.: 211032, Circuit Court No. CLI 7000704-00

As a result of the ruling in this matter, International Paper Company received a full refund of the machinery and tools tax it paid in 2017 to Isle of Wight County, plus interest. Though the City was not a party to this matter, it had entered into a revenue sharing agreement with Isle of Wight County. Accordingly, the City was responsible for 21.8% of the \$5,485,481.81 judgment or \$1,195,835.00. We were advised that pursuant to an agreement between the City and Isle of Wight County, the City will pay this amount over five years at \$239,167.00 per year.

At June 30, 2024, there were no other matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

30 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10 percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

31 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2024 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2024. Management has performed their analysis through October 3, 2025.

REQUIRED SUPPLEMENTARY INFORMATION



Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2024

General Fund

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
General property taxes	\$ 9,036,936	\$ 9,136,936	\$ 9,437,150	\$ 300,214
Other local taxes	7,211,534	7,211,534	7,389,123	177,589
Permits, privilege fees, and regulatory licenses	88,030	88,530	189,147	100,617
Fines and forfeitures	40,250	40,250	36,841	(3,409)
Revenue from use of money and property	165,446	167,598	738,667	571,069
Charges for services	1,823,091	1,823,091	1,914,513	91,422
Miscellaneous	1,191,571	1,241,898	1,372,368	130,470
Recovered costs	2,616,645	2,716,709	2,572,557	(144,152)
Intergovernmental				
Commonwealth	4,562,818	4,888,507	5,101,070	212,563
Federal	204,408	534,629	569,251	34,622
Total Revenues	26,940,729	27,849,682	29,320,687	1,471,005
Expenditures				
Current				
General government administration	3,494,355	4,389,776	3,980,161	409,615
Judicial administration	580,124	582,624	584,996	(2,372)
Public safety	12,416,764	15,964,352	12,844,731	3,119,621
Public works	3,872,111	4,711,714	3,703,635	1,008,079
Health and welfare	906,509	906,509	1,019,571	(113,062)
Education	4,330,237	4,482,890	4,638,893	(156,003)
Parks, recreation, and cultural	856,844	1,908,191	1,028,783	879,408
Community development	823,998	1,064,488	952,012	112,476
Debt service	-	74,738	59,495	15,243
Total Expenditures	27,280,942	34,085,282	28,812,277	5,273,005
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,213)	(6,235,600)	508,410	6,744,010
Other Financing Sources (Uses)				
Lease liabilities issued	-	-	153,661	153,661
Issuance of debt	-	4,000,000	1,855,470	(2,144,530)
Transfers in	1,994,993	1,994,993	1,799,993	(195,000)
Transfers (out)	(2,201,335)	(6,531,572)	(5,142,169)	1,389,403
Total Other Financing Sources (Uses)	(206,342)	(536,579)	(1,333,045)	(796,466)
Net Change in Fund Balances Before Transfer from Surplus	(546,555)	(6,772,179)	(824,635)	5,947,544
From Surplus	546,555	6,772,179	-	(6,772,179)
Net Change in Fund Balances	\$ -	\$ -	(824,635)	\$ (824,635)
Fund Balance - Beginning of Year			22,071,030	
Fund Balance - End of Year			\$21,246,395	

Virginia Public Assistance Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Miscellaneous	\$ -	\$ -	\$ 8,865	\$ 8,865
Intergovernmental				
Commonwealth	893,581	893,581	587,520	(306,061)
Federal	<u>1,446,555</u>	<u>1,446,555</u>	<u>1,105,400</u>	<u>(341,155)</u>
Total Revenues	2,340,136	2,340,136	1,701,785	(638,351)
Expenditures				
Current				
Health and welfare	<u>2,980,810</u>	<u>2,980,810</u>	<u>2,038,110</u>	<u>942,700</u>
Total Expenditures	<u>2,980,810</u>	<u>2,980,810</u>	<u>2,038,110</u>	<u>942,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(640,674)	(640,674)	(336,325)	304,349
Other Financing Sources (Uses)				
Transfers in	640,674	640,674	640,674	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>640,674</u>	<u>640,674</u>	<u>640,674</u>	<u>-</u>
Net Change in Fund Balances Before Transfer from Surplus	-	-	304,349	304,349
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	304,349	<u>\$ 304,349</u>
Fund Balance - Beginning of Year			<u>609,904</u>	
Fund Balance - End of Year			<u>\$ 914,253</u>	

Debt Service Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Revenue from use of money - interest income	\$ -	\$ -	\$ 443,097	\$ 443,097
Total Revenues	-	-	443,097	443,097
Expenditures				
Current - Debt Service				
Debt service - principal payments	657,000	657,000	657,000	-
Debt service - interest payments, issuance costs, fees	545,302	545,302	988,348	(443,046)
Total Expenditures	1,202,302	1,202,302	1,645,348	(443,046)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,202,302)	(1,202,302)	(1,202,251)	51
Other Financing Sources (Uses)				
Issuance of debt	-	-	7,693,994	\$ 7,693,994
Transfers in	3,202,302	3,202,302	2,000,000	(1,202,302)
Transfers (out)	(2,000,000)	(2,000,000)	(562,535)	1,437,465
Total Other Financing Sources (Uses)	1,202,302	1,202,302	9,131,459	7,929,157
Net Change in Fund Balance	\$ -	\$ -	7,929,208	\$ 7,929,208
Fund Balance - Beginning of Year			1,375,152	
Fund Balance - End of Year			\$ 9,304,360	

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios (in thousands) (Continued)

For the Plan Years Ended June 30 (in thousands)

	<u>Primary Government</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability										
Service cost	\$ 1,159,103	\$ 928,400	\$ 950,129	\$ 899,889	\$ 905,990	\$ 875,835	\$ 925,511	\$ 971,564	\$ 970,766	\$ 960,215
Interest	2,951,036	2,922,574	2,723,410	2,664,687	2,688,424	2,616,486	2,527,091	2,442,204	2,330,900	2,227,952
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(163,084)	(824,195)	(669,390)	(49,321)	(1,361,200)	(465,422)	(69,781)	(225,106)	129,805	-
Changes of assumptions	-	-	1,889,124	-	1,070,509	-	(105,527)	-	-	-
Benefit payments	(2,752,076)	(2,919,586)	(2,822,616)	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Net change in total pension liability	1,194,979	107,193	2,070,657	1,047,329	1,305,758	1,026,443	1,277,302	1,236,691	1,700,591	1,484,096
Total pension liability - beginning	43,935,980	43,828,787	41,758,130	40,710,801	39,405,043	38,378,600	37,101,298	35,864,607	34,164,016	32,679,920
Total pension liability - ending (a)	\$ 45,130,959	\$ 43,935,980	\$ 43,828,787	\$ 41,758,130	\$ 40,710,801	\$ 39,405,043	\$ 38,378,600	\$ 37,101,298	\$ 35,864,607	\$ 34,164,016
Plan fiduciary net position										
Contributions - employer	\$ 1,208,034	\$ 877,814	\$ 804,421	\$ 873,180	\$ 918,357	\$ 816,635	\$ 811,984	\$ 816,294	\$ 814,427	\$ 813,748
Contributions - employee	434,900	361,669	335,079	355,227	372,712	372,856	373,063	369,825	372,766	374,515
Net investment income	2,653,266	(19,532)	9,499,871	674,648	2,288,557	2,411,633	3,632,479	512,886	1,343,739	4,072,505
Benefit payments	(2,752,076)	(2,919,586)	(2,822,616)	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Refunds of contributions	-	-	-	-	-	-	-	-	-	-
Administrator charges	(26,722)	(27,250)	(24,618)	(23,821)	(22,773)	(21,091)	(21,347)	(19,122)	(18,654)	(22,183)
Other	1,065	976	887	(800)	(1,439)	(2,141)	(3,217)	(221)	(286)	214
Net change in plan fiduciary net position	1,518,467	(1,725,909)	7,793,024	(589,492)	1,557,449	1,577,436	2,792,970	(272,309)	781,112	3,534,728
Plan fiduciary net position - beginning	41,526,797	43,252,706	35,459,682	36,049,174	34,491,725	32,914,289	30,121,319	30,393,628	29,612,516	26,077,788
Plan fiduciary net position - ending (b)	\$ 43,045,264	\$ 41,526,797	\$ 43,252,706	\$ 35,459,682	\$ 36,049,174	\$ 34,491,725	\$ 32,914,289	\$ 30,121,319	\$ 30,393,628	\$ 29,612,516
Political subdivision's net pension liability - ending (a-b)	\$ 2,085,695	\$ 2,409,183	\$ 576,081	\$ 6,298,448	\$ 4,661,627	\$ 4,913,318	\$ 5,464,311	\$ 6,979,979	\$ 5,470,979	\$ 4,551,500
Plan fiduciary net position as a percentage of the total pension liability	95.38%	94.52%	98.69%	84.92%	88.55%	87.53%	85.76%	81.19%	84.75%	86.68%
Covered payroll	\$ 9,407,083	7,748,709	7,034,396	7,428,465	7,792,591	7,630,497	7,507,194	\$7,368,240	\$7,586,380	\$7,460,063
Political subdivision's net pension liability as a percentage of covered payroll	22.17%	31.09%	8.19%	84.79%	59.82%	64.39%	72.79%	94.73%	72.12%	61.01%

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30 (in thousands)

	School Board General Employees									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability										
Service cost	\$ 44,478	\$ 36,531	\$ 35,960	\$ 38,741	\$ 35,438	\$ 45,828	\$ 47,678	\$ 47,491	\$ 48,778	\$ 47,021
Interest		112,906	115,649	129,027	124,077	124,787	122,651	122,398	118,981	114,045
Changes in benefit terms	113,474	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(4,526)	(36,512)	(172,995)	(298,266)	50,803	(48,609)	(38,551)	(77,469)	(29,062)	-
Changes of assumptions	-	-	32,953	-	50,719	-	(12,055)	-	-	-
Benefit payments	(112,778)	(112,136)	(65,322)	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Net change in total pension liability	40,648	789	(53,755)	(200,556)	86,978	31,760	31,571	2,960	48,388	70,270
Total pension liability - beginning	1,693,014	1,692,225	1,745,980	1,946,536	1,859,558	1,827,798	1,796,227	1,793,267	1,744,879	1,674,609
Total pension liability - ending (a)	\$ 1,733,662	\$ 1,693,014	\$ 1,692,225	\$ 1,745,980	\$ 1,946,536	\$ 1,859,558	\$ 1,827,798	\$ 1,796,227	\$ 1,793,267	\$ 1,744,879
Plan fiduciary net position										
Contributions - employer	\$ -	\$ -	\$ (8)	\$ 21,147	\$ 20,202	\$ 27,277	\$ 28,347	\$ 43,846	\$ 41,701	\$ 46,023
Contributions - employee	29,494	29,391	23,508	21,812	20,302	19,115	19,721	19,491	18,929	19,200
Net investment income	152,649	(2,605)	539,798	37,605	125,501	138,802	208,126	29,837	75,954	230,671
Benefit payments	(112,778)	(112,136)	(65,322)	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Refunds of contributions	-	-	-	-	-	-	-	-	-	-
Administrator charges	(1,561)	(1,550)	(1,347)	(1,279)	(1,364)	(1,212)	(1,217)	(1,071)	(1,055)	(1,253)
Other	60	56	51	(45)	(79)	(123)	(184)	(13)	(15)	12
Net change in plan fiduciary net position	67,864	(86,844)	496,680	9,182	(9,497)	93,613	166,641	2,630	45,205	203,857
Plan fiduciary net position - beginning	2,390,631	2,477,475	1,980,795	1,971,613	1,981,110	1,887,497	1,720,856	1,718,226	1,673,021	1,469,164
Plan fiduciary net position - ending (b)	\$ 2,458,495	\$ 2,390,631	\$ 2,477,475	\$ 1,980,795	\$ 1,971,613	\$ 1,981,110	\$ 1,887,497	\$ 1,720,856	\$ 1,718,226	\$ 1,673,021
Political subdivision's net pension liability - ending (a-b)	\$ (724,833)	\$ (697,617)	\$ (785,250)	\$ (234,815)	\$ (25,077)	\$ (121,552)	\$ (59,699)	\$ 75,371	\$ 75,041	\$ 71,858
Plan fiduciary net position as a percentage of the total Pension liability	141.81%	141.21%	146.40%	113.45%	101.29%	106.54%	103.27%	95.80%	95.82%	95.88%
Covered payroll	\$ 700,703	693,948	537,311	485,278	445,056	411,802	\$428,732	\$419,188	\$391,523	\$384,283
Political subdivision's net pension liability as a percentage of covered payroll	-103.44%	-100.53%	-146.14%	-48.39%	-5.63%	-29.52%	-13.92%	17.98%	19.17%	18.70%

City of Franklin, Virginia

Schedule of Employer's Share of Net Pension Liability
VRS Teacher Employee Retirement Plan

For the Measurement Dates of June 30, 2014 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.08080%	0.07390%	0.07677%	0.07200%	0.07987%	0.08655%	0.09610%	0.10034%	0.10104%	0.10813%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,166,621	\$ 7,035,722	\$ 5,959,730	\$ 10,477,891	\$ 10,511,346	\$ 10,178,000	\$ 11,818,000	\$ 14,062,000	\$ 12,717,000	\$ 13,067,000
Employer's Covered Payroll	\$ 8,164,400	6,895,539	6,833,198	6,337,909	6,746,816	7,048,968	\$7,636,068	\$7,645,748	\$6,781,114	\$7,889,430
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	100.027%	102.033%	87.217%	165.321%	155.797%	144.390%	154.766%	183.919%	187.536%	165.627%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.45%	82.61%	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on pages 118 and 119 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions

VRS Political Subdivisions Retirement Plan and Teacher Retirement Plan

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2024	\$ 1,410,229	\$ 1,410,229	\$ -	\$ 10,469,406	13.47%
2023	1,267,134	1,267,134	-	9,407,083	13.47%
2022	914,400	914,400	-	7,748,709	11.80%
2021	830,059	830,059	-	7,034,396	11.80%
2020	895,664	895,664	-	7,428,465	12.08%
2019	941,347	941,347	-	7,792,591	12.08%
2018	837,601	837,601	-	7,630,497	10.98%
2017	824,531	824,531	-	7,507,194	10.98%
2016	815,838	815,838	-	7,368,240	11.07%
2015	814,427	814,427	-	7,586,380	10.74%
Component Unit School Board - General Employees					
2024	\$ -	\$ -	\$ -	\$ 784,613	0.00%
2023	-	-	-	700,703	0.00%
2022	-	-	-	693,948	0.00%
2021	4,833	4,833	-	537,311	0.90%
2020	24,409	24,409	-	485,278	5.03%
2019	22,387	22,387	-	445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
2017	30,483	30,483	-	428,732	7.11%
2016	44,719	44,719	-	419,188	10.67%
2015	41,697	41,697	-	391,523	10.65%
Component Unit School Board - Teachers					
2024	\$ 1,420,825	\$ 1,420,825	\$ -	\$ 9,025,185	15.74%
2023	1,275,544	1,275,544	-	8,164,400	15.62%
2022	1,097,787	1,097,787	-	6,895,539	15.92%
2021	1,086,028	1,086,028	-	6,833,198	15.89%
2020	993,784	993,784	-	6,337,909	15.68%
2019	1,057,678	1,057,678	-	6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
2017	1,246,206	1,246,206	-	7,636,068	16.32%
2016	1,068,615	1,068,615	-	7,645,748	13.98%
2015	1,081,012	1,081,012	-	6,781,114	15.94%

*includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid Retirement Plan.

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 - Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Division

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government - City							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03995%	0.35690%	0.34120%	0.36130%	0.39870%	0.04016%	0.04081%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 479,126	\$ 429,742	\$ 397,249	\$ 602,591	\$ 648,791	\$ 610,000	\$ 614,000
Employer's Covered Payroll	\$ 9,410,145	\$ 7,762,805	\$ 7,044,061	\$ 7,435,304	\$ 7,815,638	\$ 7,637,206	\$ 7,527,197
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.09%	5.54%	5.64%	8.10%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Component Unit School Board - General Employees							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00310%	0.00320%	0.00260%	0.00236%	0.00227%	0.00217%	0.00233%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 37,179	\$ 39,013	\$ 30,620	\$ 39,385	\$ 36,939	\$ 33,000	\$ 36,000
Employer's Covered Payroll	\$ 731,380	\$ 704,348	\$ 542,148	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.08%	5.54%	5.65%	8.12%	8.30%	8.01%	8.37%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Component Unit - Teachers							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03485%	0.03200%	0.03350%	0.03086%	0.03466%	0.03732%	0.04145%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 417,961	\$ 385,070	\$ 389,915	\$ 515,003	\$ 564,011	\$ 567,000	\$ 624,000
Employer's Covered Payroll	\$ 8,209,937	\$ 6,956,252	\$ 6,914,197	\$ 6,350,666	\$ 6,794,021	\$ 7,095,851	\$ 7,646,683
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.09%	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years.

Since 2023 is the seventh year of presentation, only seven years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the VRS Group Life Insurance Program (GLI) for each year is presented on pages 130 and 131 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Group Life Insurance OPEB Plan

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2024	\$ 56,733	\$ 56,733	\$ -	\$ 10,506,156	0.54%
2023	50,863	50,863	-	9,410,145	0.54%
2022	41,917	41,917	-	7,762,805	0.54%
2021	38,037	38,037	-	7,044,061	0.54%
2020	38,651	38,651	-	7,435,304	0.52%
2019	40,642	40,642	-	7,815,638	0.52%
2018	39,713	39,713	-	7,637,206	0.52%
2017	39,141	39,141	-	7,527,197	0.52%
2016	39,792	39,792	-	7,507,921	0.53%
2015	39,507	39,507	-	7,454,105	0.53%
Component Unit School Board - General Employees					
2024	\$ 4,257	\$ 4,257	\$ -	\$ 788,354	0.54%
2023	3,949	3,949	-	731,380	0.54%
2022	3,803	3,803	-	704,348	0.54%
2021	2,928	2,928	-	542,148	0.54%
2020	2,523	2,523	-	485,278	0.52%
2019	2,314	2,314	-	445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
Component Unit School Board - Teachers					
2024	\$ 48,968	\$ 48,968	\$ -	\$ 9,068,219	0.54%
2023	44,334	44,334	-	8,209,937	0.54%
2022	37,564	37,564	-	6,956,252	0.54%
2021	37,337	37,337	-	6,914,197	0.54%
2020	33,023	33,023	-	6,350,666	0.52%
2019	35,329	35,329	-	6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios - School Board General Employees

For the Measurement Dates of June 30, 2023, 2022, 2021, 2020, 2019, 2018 and 2017

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board - General Employees							
Total HIC OPEB liability							
Service cost	\$ 425	\$ 346	\$ 562	\$ 578	\$ 544	\$ 562	\$ 608
Interest	1,982	2,053	2,311	2,381	2,373	2,299	2,331
Changes in benefit terms	-	-	-	1,875	-	-	-
Difference between expected and actual experience	8,661	(4,695)	(3,825)	(3,047)	509	1,198	-
Changes of assumptions	-	4,299	(211)	-	735	-	(929)
Benefit payments	(3,033)	(3,249)	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Net change in total HIC OPEB liability	8,035	(1,246)	(3,929)	(1,069)	1,420	818	290
Total HIC OPEB liability - beginning	30,451	31,697	35,626	36,695	35,275	34,457	34,167
Total HIC OPEB liability - ending (a)	\$ 38,486	\$ 30,451	\$ 31,697	\$ 35,626	\$ 36,695	\$ 35,275	\$ 34,457
Plan fiduciary net position							
Contributions - employer	\$ -	\$ 1,110	\$ 860	\$ 825	\$ 756	\$ 868	\$ 900
Net investment income	2,095	95	8,189	660	2,045	2,370	3,542
Benefit payments	(3,033)	(3,249)	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Administrator charges	(48)	(64)	(92)	(61)	(44)	(53)	(56)
Other	48	917	-	-	(2)	(183)	183
Net change in plan fiduciary net position	(938)	(1,191)	6,191	(1,432)	14	(239)	2,849
Plan fiduciary net position - beginning	37,194	38,385	32,194	33,626	33,612	33,851	31,002
Plan fiduciary net position - ending (b)	\$ 36,256	\$ 37,194	\$ 38,385	\$ 32,194	\$ 33,626	\$ 33,612	\$ 33,851
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ 2,230	\$ (6,743)	\$ (6,688)	\$ 3,432	\$ 3,069	\$ 1,663	\$ 606
Plan fiduciary net position as a percentage of the total HIC OPEB liability	94.21%	122.14%	121.10%	90.37%	91.64%	95.29%	98.24%
Covered payroll	\$ 700,703	\$ 693,948	\$ 537,311	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.32%	-0.97%	-1.24%	0.71%	0.69%	0.40%	0.14%

City of Franklin, Virginia

Schedule of Employer Contributions - HIC OPEB School Board General Employees

For the Years Ended June 30, 2015 through 2024

Date	Contribution in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2024	\$ -	\$ -	\$ -	\$ 784,613	0.00%
2023	-	-	-	700,703	0.00%
2022	1,110	1,110	-	693,948	0.16%
2021	860	860	-	537,311	0.16%
2020	825	825	-	485,278	0.17%
2019	756	756	-	445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions
Report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB School Board General Employees

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC) Teacher

For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.08190%	0.07399%	0.07726%	0.07230%	0.08044%	0.08722%	0.09670%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 991,909	\$ 924,170	\$ 991,686	\$ 943,035	\$ 1,053,038	\$ 1,108,000	\$ 1,227,000
Employer's Covered Payroll	\$ 8,164,400	\$ 6,895,539	\$ 6,833,198	\$ 6,337,909	\$ 6,746,816	\$ 7,054,104	\$ 7,631,713
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.15%	13.40%	14.51%	14.88%	15.61%	15.71%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	17.90%	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%

*Schedule is intended to show information for 10 years.
Since 2023 is the seventh year of presentation, only seven years of data is available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on pages 142 and 143 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Health Insurance Credit - Teacher

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 109,205	\$ 109,205	\$ -	\$ 9,025,185	1.21%
2023	98,789	98,789	-	8,164,400	1.21%
2022	83,436	83,436	-	6,895,539	1.21%
2021	82,682	82,682	-	6,833,198	1.21%
2020	76,055	76,055	-	6,337,909	1.20%
2019	80,962	80,962	-	6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB Teacher

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act Program (LODA)

For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.52408%	0.52201%	0.46500%	0.30251%	0.33655%	0.34623%	0.32616%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 2,101,032	\$ 1,975,575	\$ 2,050,611	\$ 1,266,958	\$ 1,207,000	\$ 1,085,000	\$ 857,000
Covered-Employee Payroll	\$ 3,686,229	\$ 3,052,896	\$ 2,796,220	\$ 2,720,045	\$ 2,758,828	\$ 2,594,611	\$ 2,701,124
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	57.00%	64.71%	73.34%	46.58%	43.75%	41.82%	31.73%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year of presentation, only seven years of data are available. However, additional years will be included as they become available.

*The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on pages 138 and 139 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Line of Duty Act Program (LODA)

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)**	Contributions as a % of Covered Employee Payroll (5)*
2024	\$ 97,318	\$ 97,318	\$ -	\$ 4,228,000	2.30%
2023	69,548	69,548	-	3,686,229	1.89%
2022	71,372	71,372	-	3,052,896	2.34%
2021	135,393	135,393	-	2,796,220	4.84%
2020	41,111	41,111	-	2,720,045	1.51%
2019	45,169	45,169	-	2,758,828	1.64%
2018	36,879	36,879	-	2,594,611	1.42%
2017	35,177	35,177	-	2,701,124	1.30%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.*

Notes:

1. 2024 covered payroll is an estimate based on the number of employees covered under the plan.
2. This schedule should present 10 years of data; however, the information prior to fiscal year 2017 is not available.

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – LODA OPEB

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - City

For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.57957%	0.55048%	0.43554%	0.43511%	0.54747%	0.65156%	0.57235%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (9,325)	\$ (3,237)	\$ (4,408)	\$ 4,344	\$ 11,091	\$ 5,000	\$ 3,000
Employer's Covered Payroll	\$3,547,411	\$2,578,858	\$1,749,612	\$1,621,403	\$1,691,845	\$1,582,032	\$1,050,992
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.26%	-0.13%	-0.25%	0.27%	0.66%	0.32%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	116.89%	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year of presentation, only seven years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Virginia Local Disability Program - City

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 35,626	\$ 35,626	\$ -	\$ 4,191,307	0.85%
2023	30,153	30,153	-	3,547,411	0.85%
2022	21,405	21,405	-	2,578,858	0.83%
2021	14,522	14,522	-	1,749,612	0.83%
2020	11,674	11,674	-	1,621,403	0.72%
2019	10,489	10,489	-	1,691,845	0.62%
2018	9,492	9,492	-	1,582,032	0.60%
2017	6,306	6,306	-	1,050,992	0.60%
2016	3,942	3,942	-	657,010	0.60%
2015	2,528	2,528	-	421,275	0.60%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - School Board General Employees

For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.09050%	0.11330%	0.08359%	0.06580%	0.06310%	0.06317%	0.09421%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (1,457)	\$ (666)	\$ (846)	\$ 657	\$ 1,279	\$ -	\$ 1,000
Employer's Covered Payroll	\$ 554,135	\$ 530,659	\$ 335,766	\$ 245,151	\$ 195,068	\$ 153,384	\$ 173,005
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.26%	-0.13%	-0.25%	0.27%	0.66%	0.00%	0.58%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	116.89%	107.99%	119.59%	76.84%	49.49%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year of presentation, only seven years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Virginia Local Disability Program - School Board General Employees

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 5,366	\$ 5,366	\$ -	\$ 631,342	0.85%
2023	4,710	4,710	-	554,135	0.85%
2022	4,404	4,404	-	530,659	0.83%
2021	2,787	2,787	-	335,766	0.83%
2020	1,765	1,765	-	245,151	0.72%
2019	1,209	1,209	-	195,068	0.62%
2018	920	920	-	153,384	0.60%
2017	1,038	1,038	-	173,005	0.60%
2016	881	881	-	146,862	0.60%
2015	399	399	-	66,432	0.60%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - Teacher

For the Measurement Dates of June 30, 2017 through 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.51660%	0.44090%	0.45762%	0.42070%	0.54769%	0.63101%	0.71370%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 3,430	\$ (496)	\$ (3,322)	\$ 3,375	\$ 3,184	\$ 5,000	\$ 4,000
Employer's Covered Payroll	\$ 4,823,949	\$ 3,548,638	\$ 3,079,324	\$ 2,488,571	\$ 2,626,346	\$ 2,352,849	\$ 2,014,073
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.07%	-0.01%	-0.11%	0.14%	0.12%	0.21%	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	93.77%	101.57%	114.46%	78.28%	74.12%	46.18%	31.96%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year of presentation, only seven years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on pages 134 and 135 of the VRS 2023 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions Virginia Local Disability Program - Teacher

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 24,933	\$ 24,933	\$ -	\$ 5,304,846	0.47%
2023	22,673	22,673	-	4,823,949	0.47%
2022	16,679	16,679	-	3,548,638	0.47%
2021	14,473	14,473	-	3,079,324	0.47%
2020	10,203	10,203	-	2,488,571	0.41%
2019	10,768	10,768	-	2,626,346	0.41%
2018	7,264	7,264	-	2,352,849	0.31%
2017	6,244	6,244	-	2,014,073	0.31%
2016	4,616	4,616	-	1,591,555	0.29%
2015	2,336	2,336	-	805,456	0.29%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in Covered Payroll & Contributions
Report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB Teacher

For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 71,888	\$ 82,004	\$ 101,811	\$ 103,431	\$ 86,378	\$ 70,757	\$ 100,083
Interest on total OPEB liability	83,942	85,250	58,872	56,794	91,092	91,160	94,478
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains (losses)	-	(113,381)	-	571,642	-	(201,972)	-
Effect of assumption changes or inputs	(36,295)	72,578	(196,221)	(253,001)	86,320	347,156	(56,168)
Benefit payments	(225,447)	(224,083)	(300,356)	(342,480)	(284,148)	(270,954)	(231,388)
Net change in total OPEB liability	(105,912)	(97,632)	(335,894)	136,386	(20,358)	36,147	(92,995)
Total OPEB liability - beginning	<u>2,339,622</u>	<u>2,437,254</u>	<u>2,773,148</u>	<u>2,636,762</u>	<u>2,657,120</u>	<u>2,620,973</u>	<u>2,713,968</u>
Total OPEB liability - ending	<u>\$ 2,233,710</u>	<u>\$ 2,339,622</u>	<u>\$ 2,437,254</u>	<u>\$ 2,773,148</u>	<u>\$ 2,636,762</u>	<u>\$ 2,657,120</u>	<u>\$ 2,620,973</u>
Covered employee payroll	\$ 8,823,965	\$ 8,823,965	\$ 7,200,753	\$ 7,200,753	\$ 7,897,505	\$ 7,897,505	\$ 7,630,497
Total OPEB liability as a % of covered employee payroll	25.31%	26.51%	33.85%	38.51%	33.39%	33.65%	34.35%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, recalculations of prior years are not required, and if prior years are not reported in
accordance with the current GASB standards, they should not be reported.

City of Franklin, Virginia

Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 225,447	\$ 225,447	\$ -	\$ 8,823,965	2.55%
2023	224,083	224,083	-	8,823,965	2.54%
2022	300,356	300,356	-	7,200,753	4.17%
2021	342,480	342,480	-	7,200,753	4.76%
2020	284,148	284,148	-	7,897,505	3.60%
2019	270,954	270,954	-	7,897,505	3.43%
2018	231,388	231,388	-	7,630,497	3.03%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance Schools

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schools							
Total OPEB Liability							
Service cost	\$ 31,184	\$ 36,105	\$ 34,117	\$ 32,279	\$ 33,362	\$ 31,736	\$ 38,938
Interest on total OPEB liability	18,202	16,075	10,135	12,796	18,757	20,012	25,284
Effect of economic/demographic gains (losses)	-	41,097	-	(126,384)	-	(202,093)	-
Effect of assumption changes or inputs	(9,549)	(33,228)	(42,027)	8,129	35,010	(226)	(18,679)
Benefit payments	(15,119)	(6,077)	(32,404)	(44,442)	(41,375)	(27,440)	(55,357)
Net change in total OPEB liability	24,718	53,972	(30,179)	(117,622)	45,754	(178,011)	(9,814)
Total OPEB liability - beginning	474,985	421,013	451,192	568,814	523,060	701,071	710,885
Total OPEB liability - ending	\$ 499,703	\$ 474,985	\$ 421,013	\$ 451,192	\$ 568,814	\$ 523,060	\$ 701,071
Covered employee payroll	\$ 6,937,707	\$ 6,937,707	\$ 6,001,573	\$ 6,001,573	\$ 6,656,676	\$ 6,656,676	\$ 6,647,800
Total OPEB liability as a % of covered employee payroll	7.20%	6.85%	7.02%	7.52%	8.55%	7.86%	10.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin, Virginia

Notes to Required Supplementary Information – Retiree Health Insurance – City and Schools

For the Year Ended June 30, 2024

Valuation Date: 7/1/2022

Measurement Date: **6/30/2024**

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.93%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.70% and varies in subsequent years ranging from 3.70% to 6.50%.
Salary Increase Rates	The salary increase rate was an inflation rate of 2.50%, productivity component of 1.00%, and a variable merit component that is dependent on years of service.
Retirement Age	The average age of retirement is 65.
Mortality Rates	The mortality rates for pre-retirement participants was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and 130% of rates for females.

OTHER SUPPLEMENTARY INFORMATION



City of Franklin, Virginia

Combining Balance Sheet

Nonmajor Special Revenue Funds

As of June 30, 2024

				Community Development																			
	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Laurel Street Project Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total	
Assets																							
Cash and cash equivalents	\$ 237,455	\$ 18,267	\$ 89,028	\$ 140,903	\$ 23,914	\$ -	\$ 16,658	\$ 7,250	\$ -	\$ -	\$ 31,936	\$ 19,363	\$ 1,477	\$ -	\$ 311,215	\$ 41,862	\$ 17,832	\$ 11,842	\$ 3,387	\$ 139,386	\$ 12,926	\$1,124,701	
Accounts receivable (net)	-	-	-	-	-	-	-	-	-	42,400	-	-	-	-	-	-	-	-	-	-	-	42,400	
Loan receivable	-	-	-	29,674	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,674	
Due from other governmental units	57,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,483	
Total Assets	\$ 294,938	\$ 18,267	\$ 89,028	\$ 170,577	\$ 23,914	\$ -	\$ 16,658	\$ 7,250	\$ -	\$ 42,400	\$ 31,936	\$ 19,363	\$ 1,477	\$ -	\$ 311,215	\$ 41,862	\$ 17,832	\$ 11,842	\$ 3,387	\$ 139,386	\$ 12,926	\$1,254,258	
Liabilities and Fund Balances																							
Liabilities																							
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,510	\$ 8,703	\$ -	\$ -	\$ -	\$ 1,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,204	
Accounts payable and accrued expenses	118,510	-	80	-	-	-	-	-	7,770	-	-	-	-	-	15,618	445	-	-	-	-	-	142,423	
Deposits held in escrow	-	-	-	-	20,240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,240	
Total Liabilities	118,510	-	80	-	20,240	-	-	-	38,280	8,703	-	-	-	1,991	15,618	445	-	-	-	-	-	203,867	
Fund Balances																							
Restricted																							
General government administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,832	11,842	-	-	-	29,674	
Public safety	-	18,267	88,948	-	-	-	-	-	-	-	31,936	19,363	1,477	-	-	-	-	-	-	-	-	159,991	
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,417	-	-	3,387	139,386	12,926	197,116	
Community development	-	-	-	170,577	3,674	-	16,658	7,250	-	33,697	-	-	-	-	295,597	-	-	-	-	-	-	527,453	
Health and welfare	176,428	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176,428	
Unassigned (Deficit)	-	-	-	-	-	-	-	-	(38,280)	-	-	-	-	(1,991)	-	-	-	-	-	-	-	(40,271)	
Total Fund Balances (Deficit)	176,428	18,267	88,948	170,577	3,674	-	16,658	7,250	(38,280)	33,697	31,936	19,363	1,477	(1,991)	295,597	41,417	17,832	11,842	3,387	139,386	12,926	1,050,391	
Total Liabilities and Fund Balances	\$ 294,938	\$ 18,267	\$ 89,028	\$ 170,577	\$ 23,914	\$ -	\$ 16,658	\$ 7,250	\$ -	\$ 42,400	\$ 31,936	\$ 19,363	\$ 1,477	\$ -	\$ 311,215	\$ 41,862	\$ 17,832	\$ 11,842	\$ 3,387	\$ 139,386	\$ 12,926	\$1,254,258	

City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year Ended June 30, 2024

	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Laurel Street Project Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Revenues																						
Revenue from use of money and property	\$ -	\$ 4,500	\$ -	\$ 12,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,099	\$ 3	\$ -	\$ 1	\$ -	\$ 5,473	\$ -	\$ 222,126
Miscellaneous	35,347	-	89,800	-	-	-	24,077	-	-	-	-	-	-	-	-	-	43,975	175	175	175	-	193,724
Intergovernmental																						
Commonw ealth of Virginia	451,702	-	-	-	-	-	-	-	20,966	-	-	404	-	-	-	-	-	-	-	-	-	473,072
Federal	-	-	-	-	-	-	-	-	101,164	-	-	-	-	-	-	-	-	-	-	-	-	101,164
Total Revenues	487,049	4,500	89,800	12,050	-	-	24,077	-	122,130	-	-	404	-	-	200,099	3	43,975	176	175	5,648	-	990,086
Expenditures																						
Current																						
General government administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,996	-	-	-	-	41,996
Public safety	-	3,948	106,889	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,837
Health and welfare	843,496	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	843,496
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,966	-	25	25	25	-	2,041
Community development	-	-	-	-	-	44,213	36,116	-	155,410	-	-	-	-	-	171,484	-	-	-	-	-	-	407,223
Total Expenditures	843,496	3,948	106,889	-	-	44,213	36,116	-	155,410	-	-	-	-	-	171,484	1,966	41,996	25	25	25	-	1,405,593
Excess (Deficiency) of Expenditures Over (Under) Revenues	(356,447)	552	(17,089)	12,050	-	(44,213)	(12,039)	-	(33,280)	-	-	404	-	-	28,615	(1,963)	1,979	151	150	5,623	-	(415,507)
Other Financing Sources (Uses)																						
Transfers in (out)	244,792	-	-	-	-	-	-	-	-	-	-	-	-	-	49,648	-	-	-	-	-	-	294,440
Total Other Financing Sources (Uses)	244,792	-	-	-	-	-	-	-	-	-	-	-	-	-	49,648	-	-	-	-	-	-	294,440
Net Change in Fund Balances	(111,655)	552	(17,089)	12,050	-	(44,213)	(12,039)	-	(33,280)	-	-	404	-	-	78,263	(1,963)	1,979	151	150	5,623	-	(121,067)
Fund Balances (Deficit) - Beginning of Year	288,083	17,715	106,037	158,527	3,674	44,213	28,697	7,250	(5,000)	33,697	31,936	18,959	1,477	(1,991)	217,334	43,380	15,853	11,691	3,237	133,763	12,926	1,171,458
Fund Balances (Deficit) - End of Year	\$ 176,428	\$ 18,267	\$ 88,948	\$ 170,577	\$ 3,674	\$ -	\$ 16,658	\$ 7,250	\$ (38,280)	\$ 33,697	\$ 31,936	\$ 19,363	\$ 1,477	\$ (1,991)	\$ 295,597	\$ 41,417	\$ 17,832	\$ 11,842	\$ 3,387	\$ 139,386	\$ 12,926	\$ 1,050,391

City of Franklin, Virginia

Combining Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2024

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Total Custodial Funds</u>
Assets						
Cash and cash equivalents	\$ 8,869	\$ 8,627	\$ 20,568	\$ 49,925	\$ 55	\$ 88,044
Total Assets	<u>\$ 8,869</u>	<u>\$ 8,627</u>	<u>\$ 20,568</u>	<u>\$ 49,925</u>	<u>\$ 55</u>	<u>\$ 88,044</u>
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,356	\$ -	\$ -	\$ 1,356
Net Position						
Restricted for minors under the care of VPA	8,869	8,627	-	-	-	17,496
Restricted for fire and rescue volunteers	-	-	-	49,925	-	49,925
Restricted for children's educational needs	-	-	19,212	-	55	19,267
Total Net Position	<u>8,869</u>	<u>8,627</u>	<u>19,212</u>	<u>49,925</u>	<u>55</u>	<u>86,688</u>
Total Liabilities and Net Position	<u>\$ 8,869</u>	<u>\$ 8,627</u>	<u>\$ 20,568</u>	<u>\$ 49,925</u>	<u>\$ 55</u>	<u>\$ 88,044</u>

City of Franklin, Virginia

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Total Custodial Funds</u>
Additions						
Miscellaneous income	\$ 7,512	\$ 6,034	\$ 127,085	\$ 425	\$ -	\$ 141,056
Revenue from City of Franklin	-	-	-	-	870,602	870,602
Local grant funds and other donations	-	-	65,000	8,309	-	73,309
Total Additions	7,512	6,034	192,085	8,734	870,602	1,084,967
Deductions						
Program and administrative expenses	12,873	8,191	206,699	5,540	870,602	1,103,905
Total Deductions	12,873	8,191	206,699	5,540	870,602	1,103,905
Net Increase (Decrease) in Net Position	(5,361)	(2,157)	(14,614)	3,194	-	(18,938)
Net Position - Beginning	14,230	10,784	33,826	46,731	55	105,626
Net Position - Ending	<u>\$ 8,869</u>	<u>\$ 8,627</u>	<u>\$ 19,212</u>	<u>\$ 49,925</u>	<u>\$ 55</u>	<u>\$ 86,688</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund accounts for the School Board's elementary, middle, and high schools. The Textbook Fund accounts for the distribution of textbooks to students. The Cafeteria Fund accounts for the operations of the school food services. The School Activity Fund accounts for activities within the individual schools held for the extracurricular activities and fees charged by each school for student activities.

City of Franklin, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2024

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,800,178	\$ 411,898	\$ 191,594	\$ 38,177	\$ 4,441,847
Due from other governmental units	495,335	39,877	-	-	535,212
Inventories	-	36,976	-	-	36,976
Total Assets	<u>\$ 4,295,513</u>	<u>\$ 488,751</u>	<u>\$ 191,594</u>	<u>\$ 38,177</u>	<u>\$ 5,014,035</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 1,583,572	\$ 70,965	\$ 18,638	\$ -	\$ 1,673,175
Unearned revenue	<u>1,164,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,600</u>
Total Liabilities	2,748,172	70,965	18,638	-	2,837,775
Fund Balances					
<i>Nonspendable</i>					
Inventory	-	36,976	-	-	36,976
<i>Assigned</i>					
Education	-	380,810	172,956	38,177	591,943
<i>Unassigned</i>	<u>1,547,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547,341</u>
Total Fund Balances	<u>1,547,341</u>	<u>417,786</u>	<u>172,956</u>	<u>38,177</u>	<u>2,176,260</u>
Total Liabilities and Fund Balances	<u>\$ 4,295,513</u>	<u>\$ 488,751</u>	<u>\$ 191,594</u>	<u>\$ 38,177</u>	<u>\$ 5,014,035</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:					
Total fund balances per above					\$ 2,176,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.					
Land improvements				\$ 77,613	
Buildings				7,521,177	
Machinery and equipment				3,136,393	
Infrastructure				4,451,457	
Construction in progress				<u>1,558,110</u>	16,744,750
Lease assets, net of accumulated amortization					564,708
Subscription assets, net of accumulated amortization					19,124
The net pension asset is not an available resource and, therefore, is not reported in the fund - General Employees					724,833
The net OPEB asset is not an available resource and, therefore, is not reported in the fund - General Employees					1,457
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.					
Pension related items				1,911,377	
OPEB related items				<u>115,130</u>	2,026,507
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					
Net OPEB liabilities				(1,952,412)	
Net pension liability				(8,166,621)	
Compensated absences				(224,520)	
Subscription liabilities				(19,748)	
Lease liabilities				<u>(882,530)</u>	(11,245,831)
Net Position of Governmental Activities					<u>\$ 11,011,808</u>

City of Franklin, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2024

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Revenues					
Revenue from use of money and property	\$ 3,150	\$ -	\$ 12	\$ -	\$ 3,162
Charges for services	-	26,602	-	-	26,602
Miscellaneous	96,324	64,545	-	359,093	519,962
Intergovernmental Revenues					
Local government	4,638,893	-	-	-	4,638,893
Commonwealth	12,468,897	15,793	-	-	12,484,690
Federal	4,093,957	817,540	-	-	4,911,497
Total Revenues	21,301,221	924,480	12	359,093	22,584,806
Expenditures					
Current					
<i>Education</i>					
Instruction	14,339,908	-	106,643	360,734	14,807,285
Administration, attendance and health	1,831,258	-	-	-	1,831,258
Transportation	611,177	-	-	-	611,177
Operations and maintenance	2,125,159	-	-	-	2,125,159
Technology	1,402,338	-	-	-	1,402,338
Food services	-	965,768	-	-	965,768
<i>Debt service:</i>					
Principal retirement	207,690	-	-	-	207,690
Interest and other fiscal charges	36,829	-	-	-	36,829
Total Expenditures	20,554,359	965,768	106,643	360,734	21,987,504
Excess (Deficiency) of Revenues Over (Under) Expenditures	746,862	(41,288)	(106,631)	(1,641)	597,302
Other Financing Sources (Uses)					
Transfers in (out)	(91,032)	-	91,032	-	-
Total Other Financing Sources (Uses)	(91,032)	-	91,032	-	-
Net Change in Fund Balances	655,830	(41,288)	(15,599)	(1,641)	597,302
Fund Balances - Beginning	891,511	459,074	188,555	39,818	1,578,958
Fund Balances - Ending	<u>\$ 1,547,341</u>	<u>\$ 417,786</u>	<u>\$ 172,956</u>	<u>\$ 38,177</u>	<u>\$ 2,176,260</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:					
Net changes in fund balances - total governmental funds - per above					\$ 597,302
<i>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is a computation of these differences.</i>					
Capital asset additions				\$5,265,379	
Depreciation expense				(1,953,498)	3,311,881
<i>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</i>					
Change in compensated absences				(15,041)	
Change in OPEB related items				127,192	
Change in pension related items				955,824	1,067,975
<i>Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in the governmental funds</i>					
					119,145
<i>The issuance of long-term debt (e.g., bonds, financed purchase obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following is the net effect of these differences in the treatment of long-term debt and related items.</i>					
Principal paid on lease liabilities				188,574	
Principal paid on subscription liabilities				19,116	207,690
Change in Net Position of Governmental Activities					<u>\$ 5,303,993</u>

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2024

	<u>School Operating Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Miscellaneous	\$ 70,000	\$ 84,295	\$ 96,324	\$ 12,029
Revenue from use of money and property	-	-	3,150	3,150
Intergovernmental				
Local government	4,330,237	4,330,237	4,638,893	308,656
Commonwealth	11,503,764	14,463,924	12,468,897	(1,995,027)
Federal	<u>3,127,200</u>	<u>7,256,571</u>	<u>4,093,957</u>	<u>(3,162,614)</u>
Total Revenues	19,031,201	26,135,027	21,301,221	(4,833,806)
Expenditures				
Current				
<i>Education</i>				
Instruction	13,480,669	20,947,344	14,339,908	6,607,436
Administration, attendance and health	2,100,523	1,847,121	1,831,258	15,863
Transportation	450,296	613,445	611,177	2,268
Operations and maintenance	1,987,743	2,273,663	2,125,159	148,504
Technology	1,011,970	1,402,572	1,402,338	234
Debt service:				
Principal retirement	-	-	207,690	(207,690)
Interest and other fiscal charges	<u>-</u>	<u>-</u>	<u>36,829</u>	<u>(36,829)</u>
Total Expenditures	<u>19,031,201</u>	<u>27,084,145</u>	<u>20,554,359</u>	<u>6,529,786</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(949,118)	746,862	1,695,980
Other Financing Sources (Uses)				
Transfers (out)	<u>-</u>	<u>(91,500)</u>	<u>(91,032)</u>	<u>468</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(91,500)</u>	<u>(91,032)</u>	<u>468</u>
Net Change in Fund Balance	-	(1,040,618)	655,830	1,696,448
From Surplus	<u>-</u>	<u>1,040,618</u>	<u>-</u>	<u>(1,040,618)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	655,830	<u>\$ 655,830</u>
Fund Balance - Beginning			<u>891,511</u>	
Fund Balance - Ending			<u>\$ 1,547,341</u>	

DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

City of Franklin, Virginia

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

As of June 30, 2024

Industrial
Development
Authority

Assets

Cash and cash equivalents	\$ 14,389
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Total Assets	\$ 14,389
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Net Position

Unrestricted - community development	\$ 14,389
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Total Net Position	\$ 14,389
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City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2024

	Industrial Development Authority
Operating Revenues	\$ -
Expenditures	<u>-</u>
Operating Income	<u>-</u>
Nonoperating Revenues	
Interest income	<u>65</u>
Change in Net Position	65
Total Net Position - Beginning	<u>14,324</u>
Total Net Position - Ending	<u><u>\$ 14,389</u></u>

City of Franklin, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2024

	Industrial Development Authority
Cash Flows from Operating Activities	\$ -
Net Cash Provided by (Used in) Operating Activities	-
Cash Flows from Investing Activities	
Interest income	65
Net Cash Provided by Investing Activities	65
Net Increase in Cash and Cash Equivalents	65
Cash and Cash Equivalents - Beginning	14,324
Cash and Cash Equivalents - Ending	<u>\$ 14,389</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ -
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>

City of Franklin, Virginia

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended June 30, 2024

General Fund

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
Revenue from Local Sources				
<i>General Property Taxes</i>				
Real property taxes	\$ 6,794,291	\$ 6,894,291	\$ 6,632,293	\$ (261,998)
Real and personal public service corporation taxes	66,537	66,537	107,061	40,524
Personal property taxes	2,000,324	2,000,324	2,470,658	470,334
Machinery and tools taxes	30,784	30,784	33,218	2,434
Penalties	85,000	85,000	120,450	35,450
Interest	60,000	60,000	73,470	13,470
Total General Property Taxes	9,036,936	9,136,936	9,437,150	300,214
<i>Other Local Taxes</i>				
Local sales and use taxes	2,400,000	2,400,000	2,496,737	96,737
Consumers' utility taxes	532,000	532,000	537,474	5,474
Probate taxes	2,500	2,500	804	(1,696)
Electric consumption taxes	30,000	30,000	28,315	(1,685)
Business license taxes	1,165,000	1,165,000	1,247,515	82,515
Motor vehicle license taxes	232,034	232,034	212,498	(19,536)
Bank stock taxes	40,000	40,000	73,967	33,967
Taxes on recordation and wills	85,000	85,000	114,504	29,504
Cigarette taxes	395,000	395,000	290,566	(104,434)
Lodging taxes	180,000	180,000	190,996	10,996
Restaurant food taxes	2,150,000	2,150,000	2,195,747	45,747
Total Other Local Taxes	7,211,534	7,211,534	7,389,123	177,589
<i>Permits, Privilege Fees, and Regulatory Licenses</i>				
Animal licenses	1,500	1,500	1,325	(175)
Building and related permits	47,350	47,350	131,968	84,618
Permits and other licenses	39,180	39,680	55,854	16,174
Total Permits, Privilege Fees, and Regulatory Licenses	88,030	88,530	189,147	100,617
<i>Fines and Forfeitures</i>				
Court fines and forfeitures	40,250	40,250	36,841	(3,409)
Total Fines and Forfeitures	40,250	40,250	36,841	(3,409)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Revenues from Use of Money and Property</i>				
Revenue from use of money	50,000	50,000	638,180	588,180
Revenue from use of property	<u>115,446</u>	<u>117,598</u>	<u>100,487</u>	<u>(17,111)</u>
Total Revenue from Use of Money and Property	165,446	167,598	738,667	571,069
<i>Charges for Services</i>				
Law library and court fees	3,600	3,600	4,650	1,050
Fire and emergency services	74,783	74,783	86,960	12,177
Ambulance services	375,000	375,000	406,298	31,298
Janitorial services	17,500	17,500	24,121	6,621
Administration - waste collection and disposal	255,789	255,789	255,789	-
Administration - water and sewer	373,442	373,442	373,442	-
Administration - airport	20,271	20,271	20,271	-
Administration - electric	667,606	667,606	667,606	-
Recreation fees and admissions	18,000	18,000	14,989	(3,011)
Other charges for services	<u>17,100</u>	<u>17,100</u>	<u>60,387</u>	<u>43,287</u>
Total Charges for Services	1,823,091	1,823,091	1,914,513	91,422
<i>Miscellaneous Revenue</i>				
Miscellaneous	10,781	36,028	51,132	15,104
Opioid settlement funds	-	25,080	25,080	-
Cemetery revenues	44,000	44,000	31,980	(12,020)
Late penalties and fees for utilities	276,048	276,048	310,116	34,068
Payment in lieu of taxes - water and sewer	26,460	26,460	26,460	-
Payment in lieu of taxes - electric	59,282	59,282	59,282	-
Isle of Wight - revenue sharing	700,000	700,000	816,565	116,565
Southampton County - revenue sharing	<u>75,000</u>	<u>75,000</u>	<u>51,753</u>	<u>(23,247)</u>
Total Miscellaneous Revenue	1,191,571	1,241,898	1,372,368	130,470
<i>Recovered Costs</i>				
Southampton County EMS contract	2,511,673	2,511,673	2,233,617	(278,056)
Other recovered costs	<u>104,972</u>	<u>205,036</u>	<u>338,940</u>	<u>133,904</u>
Total Recovered Costs	<u>2,616,645</u>	<u>2,716,709</u>	<u>2,572,557</u>	<u>(144,152)</u>
Total Revenue from Local Sources	22,173,503	22,426,546	23,650,366	1,223,820

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from the Commonwealth				
<i>Noncategorical Aid</i>				
Railroad rolling stock tax	6,200	6,200	14,603	8,403
ATV/Moped tax	-	-	1,052	1,052
Motor vehicle rental tax	18,000	18,000	3,777	(14,223)
Communication taxes	389,850	389,850	362,204	(27,646)
Personal property tax relief funds	<u>1,048,897</u>	<u>1,048,897</u>	<u>1,048,897</u>	<u>-</u>
Total Noncategorical Aid	1,462,947	1,462,947	1,430,533	(32,414)
<i>Categorical Aid</i>				
Shared Expenses				
Commissioner of revenue	81,100	81,100	88,997	7,897
Treasurer	71,100	71,100	98,136	27,036
Registrar/electoral board	<u>54,504</u>	<u>54,504</u>	<u>61,838</u>	<u>7,334</u>
Total Shared Expenses	206,704	206,704	248,971	42,267
Other Categorical Aid				
Law Enforcement grants	444,423	444,423	520,240	75,817
Fire and rescue grant	31,257	31,257	36,830	5,573
Emergency Medical Services	-	-	15,975	15,975
Street and highway maintenance funds	1,790,323	2,111,512	2,111,512	-
Litter control grants	8,437	8,437	7,194	(1,243)
Wireless 911 grant	41,500	41,500	61,085	19,585
Four for Life EMS	7,500	7,500	-	(7,500)
State infant and toddler grant	569,727	569,727	641,111	71,384
H.E.A.T. program funds	-	-	12,500	12,500
State Board of Elections - Primary Reimbursement	-	-	6,856	6,856
Miscellaneous	-	-	3,763	3,763
Arts grant	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Other Categorical Aid	<u>2,893,167</u>	<u>3,218,856</u>	<u>3,421,566</u>	<u>202,710</u>
Total Categorical Aid	<u>3,099,871</u>	<u>3,425,560</u>	<u>3,670,537</u>	<u>244,977</u>
Total Revenue from the Commonwealth	4,562,818	4,888,507	5,101,070	212,563
Revenue from the Federal Government				
<i>Categorical Aid</i>				
JAG police grant	-	12,221	5,165	(7,056)
ARPA Criminal Justice Grant - Equipment	-	318,000	318,000	-
EMS Emergency Performance Grant	16,595	16,595	16,595	-
Federal infant and toddler grant & ARPA early intervention	<u>187,813</u>	<u>187,813</u>	<u>229,491</u>	<u>41,678</u>
Total Categorical Aid	<u>204,408</u>	<u>534,629</u>	<u>569,251</u>	<u>34,622</u>
Total Revenue from the Federal Government	<u>204,408</u>	<u>534,629</u>	<u>569,251</u>	<u>34,622</u>
Total Intergovernmental Revenue	4,767,226	5,423,136	5,670,321	247,185
Other Financing Sources				
Issuance of debt	-	4,000,000	1,855,470	(2,144,530)
Lease liabilities issued	-	-	153,661	153,661
Transfers in from other funds	<u>1,994,993</u>	<u>1,994,993</u>	<u>1,799,993</u>	<u>(195,000)</u>
Total Other Financing Sources	<u>1,994,993</u>	<u>5,994,993</u>	<u>3,809,124</u>	<u>(2,185,869)</u>
Total General Fund Before Transfer from Surplus	28,935,722	33,844,675	33,129,811	(714,864)
Transfer from Surplus	<u>546,555</u>	<u>6,772,179</u>	<u>-</u>	<u>(6,772,179)</u>
Total General Fund	<u>\$29,482,277</u>	<u>\$40,616,854</u>	<u>\$33,129,811</u>	<u>\$ (7,487,043)</u>

City of Franklin, Virginia

Schedule of Expenditures and Other Financing Uses - Budget and Actual

For the Year Ended June 30, 2024

General Fund

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
General Government Administration				
<i>Legislative</i>				
City council	\$ 317,627	\$ 300,239	\$ 263,681	\$ 36,558
<i>General and Financial Administration</i>				
City manager	286,786	297,074	314,729	(17,655)
City attorney	115,000	197,000	263,648	(66,648)
Management services and human resources	231,789	241,989	234,748	7,241
Commissioner of revenue	332,810	351,273	345,275	5,998
Real estate assessor	165,134	146,671	137,931	8,740
Treasurer	461,667	461,667	424,512	37,155
Accounting	406,218	401,118	410,133	(9,015)
Purchasing	137,742	137,742	122,231	15,511
Utility billings and collections	374,437	385,137	388,411	(3,274)
Opioid settlement funds	-	25,080	-	25,080
Insurance	175,753	175,753	185,702	(9,949)
Information Technology	290,005	1,069,646	688,889	380,757
Total General and Financial Administration	2,977,341	3,890,150	3,516,209	373,941
<i>Board of Elections</i>				
Electoral board and officials	199,387	199,387	200,271	(884)
Total Board of Elections	199,387	199,387	200,271	(884)
Total General Government Administration	3,494,355	4,389,776	3,980,161	409,615
Judicial Administration				
<i>Courts</i>				
Circuit court - joint operations	12,800	12,800	12,790	10
General district court	12,600	15,100	3,564	11,536
Sheriff's office	162,500	162,500	161,940	560
Clerk of the circuit court	80,600	80,600	80,594	6
Juvenile and domestic relations court	225,824	225,824	240,315	(14,491)
Total Courts	494,324	496,824	499,203	(2,379)

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Commonwealth's Attorney</i>	85,800	85,800	85,793	7
Total Commonwealth's Attorney	85,800	85,800	85,793	7
Total Judicial Administration	580,124	582,624	584,996	(2,372)
Public Safety				
<i>Law Enforcement and Traffic Control</i>				
Police department	4,353,027	5,915,877	3,943,367	1,972,510
Total Law Enforcement and Traffic Control	4,353,027	5,915,877	3,943,367	1,972,510
<i>Emergency Services</i>				
E-911 operations	768,215	878,729	751,704	127,025
Emergency management services	5,731,090	7,088,325	6,596,124	492,201
Total Emergency Services	6,499,305	7,967,054	7,347,828	619,226
<i>Correction and Detention</i>				
Detention - Western Tidewater Regional Jail	1,004,492	1,004,492	987,017	17,475
Total Correction and Detention	1,004,492	1,004,492	987,017	17,475
<i>Inspections</i>				
Building	434,183	908,633	420,075	488,558
Total Inspections	434,183	908,633	420,075	488,558
<i>Other Protection</i>				
Animal control	125,757	168,296	146,444	21,852
Total Other Protection	125,757	168,296	146,444	21,852
Total Public Safety	12,416,764	15,964,352	12,844,731	3,119,621
Public Works				
<i>Maintenance of highways, streets, bridges, and sidewalks</i>				
Streets and highways	2,018,139	2,844,884	1,962,575	882,309
Snow removal	15,000	15,000	367	14,633
Garage	343,582	343,582	339,363	4,219
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	2,376,721	3,203,466	2,302,305	901,161

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Maintenance of General Buildings and Grounds</i>				
Maintenance of general buildings and grounds	1,157,592	1,170,450	1,063,138	107,312
Maintenance of city hall	214,552	214,552	231,055	(16,503)
Maintenance of social services	77,656	77,656	69,968	7,688
Maintenance of health department	45,590	45,590	37,169	8,421
Total Maintenance of General Buildings and Grounds	<u>1,495,390</u>	<u>1,508,248</u>	<u>1,401,330</u>	<u>106,918</u>
Total Public Works	3,872,111	4,711,714	3,703,635	1,008,079
Health and Welfare				
<i>Health</i>				
Local health department	106,500	106,500	106,500	-
Children's Center	757,540	757,540	870,602	(113,062)
Mental health	42,469	42,469	42,469	-
Total Health	<u>906,509</u>	<u>906,509</u>	<u>1,019,571</u>	<u>(113,062)</u>
Total Health and Welfare	906,509	906,509	1,019,571	(113,062)
Education				
Contribution to local school board	<u>4,330,237</u>	<u>4,482,890</u>	<u>4,638,893</u>	<u>(156,003)</u>
Total Education	4,330,237	4,482,890	4,638,893	(156,003)
Parks, Recreation, and Cultural				
<i>Parks and Recreation</i>				
Programs and operations	560,988	1,612,335	745,603	866,732
Cemeteries	1,000	1,000	665	335
Total Parks and Recreation	561,988	1,613,335	746,268	867,067
<i>Library</i>				
Library administration	<u>294,856</u>	<u>294,856</u>	<u>282,515</u>	<u>12,341</u>
Total Library	<u>294,856</u>	<u>294,856</u>	<u>282,515</u>	<u>12,341</u>
Total Parks, Recreation, and Cultural	856,844	1,908,191	1,028,783	879,408

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Community Development				
<i>Planning and Community Development</i>				
Planning and zoning	104,797	166,908	141,372	25,536
Beautification commission	3,000	14,380	3,061	11,319
Downtown development	116,201	183,200	141,118	42,082
Payments to Southampton County	<u>600,000</u>	<u>700,000</u>	<u>666,461</u>	<u>33,539</u>
Total Planning and Community Development	<u>823,998</u>	<u>1,064,488</u>	<u>952,012</u>	<u>112,476</u>
Total Community Development	823,998	1,064,488	952,012	112,476
Debt Service				
Principal	-	74,738	59,495	15,243
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	-	74,738	59,495	15,243
Other Financing Uses				
Transfers out to other funds	<u>2,201,335</u>	<u>6,531,572</u>	<u>5,142,169</u>	<u>1,389,403</u>
Total General Fund Before Transfer from Surplus	<u>29,482,277</u>	<u>40,616,854</u>	<u>33,954,446</u>	<u>6,662,408</u>
Transfer from Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$29,482,277</u>	<u>\$40,616,854</u>	<u>\$33,954,446</u>	<u>\$ 6,662,408</u>

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget Positive (Negative)</u>
CSA Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 35,347	\$ 35,347
Intergovernmental revenue - Commonwealth of Virginia	380,520	380,520	451,702	71,182
Total Revenues	380,520	380,520	487,049	106,529
Expenditures				
Health and welfare	625,312	625,312	843,496	(218,184)
Total Expenditures	625,312	625,312	843,496	(218,184)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(244,792)	(244,792)	(356,447)	(111,655)
Other Financing Sources (Uses)				
Transfers in	244,792	244,792	244,792	-
Total Other Financing Sources (Uses)	244,792	244,792	244,792	-
Net Change in Fund Balances Before Transfer from Surplus	-	-	(111,655)	(111,655)
From Surplus	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(111,655)	<u>\$ (111,655)</u>
Fund Balance - Beginning of Year			288,083	
Fund Balance - End of Year			<u>\$ 176,428</u>	
Regional Fire Training				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 4,500	\$ 4,500	\$ -
Total Revenues	-	4,500	4,500	-
Expenditures				
Public safety	-	11,350	3,948	7,402
Total Expenditures	-	11,350	3,948	7,402
Net Change in Fund Balances Before Transfer from Surplus	-	(6,850)	552	7,402
From Surplus	-	6,850	-	(6,850)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	552	<u>\$ 552</u>
Fund Balance - Beginning of Year			17,715	
Fund Balance - End of Year			<u>\$ 18,267</u>	

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u>
				<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Foundation Grants				
Revenues				
Miscellaneous	\$ -	\$ 89,800	\$ 89,800	\$ -
Total Revenues	-	89,800	89,800	-
Expenditures				
Public safety	-	186,113	106,889	79,224
Total Expenditures	-	186,113	106,889	79,224
Net Change in Fund Balances Before Transfer from Surplus	-	(96,313)	(17,089)	79,224
From Surplus	-	96,313	-	(96,313)
Net Change in Fund Balances	\$ -	\$ -	(17,089)	\$ (17,089)
Fund Balance - Beginning of Year			106,037	
Fund Balance - End of Year			\$ 88,948	
Western Tidewater Home Consortium Fund				
Revenues				
Miscellaneous	\$ -	\$ 38,400	\$ 24,077	\$ (14,323)
Total Revenues	-	38,400	24,077	(14,323)
Expenditures				
Community development	-	38,400	36,116	2,284
Total Expenditures	-	38,400	36,116	2,284
Net Change in Fund Balances	\$ -	\$ -	(12,039)	\$ (12,039)
Fund Balance - Beginning of Year			28,697	
Fund Balance - End of Year			\$ 16,658	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Madison Street Project Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental - Federal	-	44,213	-	(44,213)
Total Revenues	-	44,213	-	(44,213)
Expenditures				
Community development	-	44,213	44,213	-
Total Expenditures	-	44,213	44,213	-
Net Change in Fund Balances Before Transfer from Surplus	-	-	(44,213)	(44,213)
From Surplus	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(44,213)	<u>\$ (44,213)</u>
Fund Balance - Beginning of Year			44,213	
Fund Balance - End of Year			<u>\$ -</u>	
Economic Development Fund				
Revenues				
Revenue from use of money and property	\$ 131,153	\$ 131,153	\$ 193,799	\$ 62,646
Miscellaneous	3,000	3,000	6,300	3,300
Total Revenues	134,153	134,153	200,099	65,946
Expenditures				
Community development	183,801	195,657	171,484	24,173
Total Expenditures	183,801	195,657	171,484	24,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,648)	(61,504)	28,615	90,119
Other Financing Sources (Uses)				
Transfers in	49,648	49,648	49,648	-
Total Other Financing Sources (Uses)	49,648	49,648	49,648	-
Net Change in Fund Balances Before Transfer from Surplus	-	(11,856)	78,263	90,119
From Surplus	-	11,856	-	(11,856)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	78,263	<u>\$ 78,263</u>
Fund Balance - Beginning of Year			217,334	
Fund Balance - End of Year			<u>\$ 295,597</u>	
Laurel Street Project Fund				
Revenues				
Intergovernmental - Commonwealth of Virginia	\$ -	\$ -	\$ -	\$ -
Intergovernmental - Federal	-	1,364,067	122,130	(1,241,937)
Total Revenues	-	1,364,067	122,130	(1,241,937)
Expenditures				
Community development	-	1,364,067	155,410	1,208,657
Total Expenditures	-	1,364,067	155,410	1,208,657
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(33,280)	<u>\$ (33,280)</u>
Fund Balance (Deficit) - Beginning of Year			(5,000)	
Fund Balance (Deficit) - End of Year			<u>\$ (38,280)</u>	

OTHER INFORMATION

This section of the City of Franklin, Virginia's Financial Statements presents detailed information as a perspective for understanding what the information contained in the financial statements, notes, and required supplementary information convey about the overall financial position of the City of Franklin, Virginia.

OTHER INFORMATION

CONTENTS

TABLES

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1-8

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

9-11

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

12-15

Sources

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

Table 1

City of Franklin, Virginia

Government-Wide Revenues

Year Ended June 30,

Fiscal Year	<u>Program Revenues</u>			<u>General Revenues</u>					
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>General Property Taxes and Other Local Taxes</u>	<u>Revenue Sharing from Counties</u>	<u>Grants and Contributions Not Restricted to Specific Programs</u>	<u>Unrestricted Investment Earnings and Use of Property</u>	<u>Miscellaneous</u>	<u>Total</u>
2024	\$ 23,979,473	\$ 6,561,526	\$ -	\$ 16,714,035	\$ 868,318	\$ 1,430,533	\$ 1,450,948	\$ 725,887	\$ 51,730,720
2023	24,496,375	10,831,850	-	16,295,026	1,113,098	1,444,871	671,234	685,734	55,538,188
2022	23,063,215	10,241,972	-	14,557,376	1,076,561	1,490,981	1,649,452	653,475	52,733,032
2021	21,277,268	7,005,905	-	14,032,280	1,118,627	1,528,752	530,126	833,753	46,326,711
2020	21,528,919	5,157,991	-	13,719,191	1,051,877	1,570,025	675,574	507,900	44,211,477
2019	22,496,828	5,000,115	-	13,330,148	1,224,442	1,582,289	530,891	742,562	44,907,275
2018	22,422,329	6,031,100	-	13,194,078	782,345	1,610,034	622,814	936,143	45,598,843
2017	21,293,588	4,349,358	-	12,801,214	785,799	1,628,216	447,219	771,580	42,076,974
2016	19,565,443	4,473,028	-	12,871,881	709,171	1,639,089	427,293	879,193	40,565,098
2015	21,723,121	4,188,762	1,113,036	12,623,788	704,969	1,662,463	676,115	692,495	43,384,749

Table 2

City of Franklin, Virginia

Government-Wide Expenses by Function

Year Ended June 30,

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Develop- ment	Non- Depart- mental	Interest on Long-Term Debt	Water and Sewer	Solid Waste	Electric	Airport	Total
2024	\$ 3,743,699	\$ 440,200	\$ 11,387,581	\$ 2,936,356	\$ 3,741,830	\$ 8,238,374	\$ 1,234,105	\$ 1,364,677	\$ -	\$ 1,140,226	\$ 3,280,762	\$ 1,292,248	\$ 15,948,839	\$ 453,070	\$ 55,201,967
2023	1,955,637	438,519	8,373,694	5,339,201	3,430,755	4,330,237	864,291	1,188,198	-	715,683	3,022,216	1,210,746	15,354,566	802,190	47,025,933
2022	2,765,685	528,559	8,873,018	3,723,882	3,114,961	4,830,237	896,658	1,255,804	-	638,179	3,606,945	1,105,456	13,724,987	494,003	45,558,374
2021	3,098,212	375,494	6,546,406	3,005,726	4,909,572	4,830,237	808,373	1,228,955	-	1,037,636	2,660,986	1,154,711	11,225,532	510,794	41,392,634
2020	3,090,604	435,499	6,723,826	3,452,223	2,700,161	5,135,157	820,768	1,674,377	-	433,701	2,858,645	1,165,884	12,221,788	570,704	41,283,337
2019	2,688,077	417,244	7,408,633	3,382,461	2,517,646	5,135,156	887,175	1,567,150	-	297,755	2,948,740	1,057,729	12,768,858	551,670	41,628,294
2018	3,003,717	344,563	7,723,020	3,122,262	2,471,638	5,279,390	747,262	1,822,617	-	307,416	3,012,357	1,106,538	12,474,698	541,774	41,957,252
2017	2,846,060	357,168	7,653,661	2,214,262	1,845,518	5,085,157	899,851	1,821,402	-	405,480	2,854,187	1,209,202	12,697,183	583,462	40,472,593
2016	2,607,038	307,583	7,037,551	2,988,081	2,026,852	6,231,066	848,064	2,013,965	49,188	758,348	2,742,836	1,235,963	13,566,039	515,723	42,928,297
2015	2,408,961	320,562	7,924,624	3,628,604	2,035,529	6,998,339	904,944	1,431,913	46,326	402,324	4,624,837	-	14,466,480	1,365,962	46,559,405

Note: Beginning in 2016, Solid Waste expenses will be broken out separately. Previously, these numbers are included with Water and Sewer.

City of Franklin, Virginia

General Governmental Revenues by Source

Year Ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General property taxes	\$ 9,437,150	\$ 8,687,058	\$ 7,852,886	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730
Other local taxes	7,389,123	7,459,894	6,673,465	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058
Permits, fees, and licenses	189,147	137,112	142,031	108,891	222,025	221,676	200,195	532,781	173,306	239,299
Fines and forfeitures	36,841	41,376	32,313	30,157	26,129	32,044	29,209	34,508	31,899	32,553
Use of money and property	1,403,890	625,533	2,421,816	567,492	645,310	536,295	632,232	450,868	532,087	545,633
Charges for services	1,914,513	1,905,170	1,896,853	1,828,853	1,831,743	1,835,064	1,530,851	1,511,417	1,417,125	1,484,170
Miscellaneous and donations	1,574,957	1,718,054	1,719,612	2,273,238	1,803,227	2,186,278	2,109,223	1,878,594	2,152,732	1,607,125
Recovered costs	2,572,557	3,444,501	2,226,658	2,250,142	1,624,983	439,819	271,535	238,678	297,156	248,457
Intergovernmental	<u>7,937,477</u>	<u>12,063,886</u>	<u>11,705,346</u>	<u>20,748,357</u>	<u>17,568,208</u>	<u>17,124,054</u>	<u>16,944,994</u>	<u>16,767,764</u>	<u>16,349,319</u>	<u>17,445,443</u>
Total	<u>\$ 32,455,655</u>	<u>\$ 36,082,584</u>	<u>\$ 34,670,980</u>	<u>\$ 42,120,171</u>	<u>\$ 37,429,963</u>	<u>\$ 35,325,601</u>	<u>\$ 34,764,137</u>	<u>\$ 34,242,013</u>	<u>\$ 33,863,684</u>	<u>\$ 34,226,468</u>

Note: Includes General, Special Revenue, Debt Service, Permanent, Capital Project, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements but are included here as they are a component of the general government function.

City of Franklin, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years Ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General government administration	\$ 4,022,157	\$ 3,135,488	\$ 2,782,436	\$ 2,966,298	\$ 2,807,353	\$ 2,567,819	\$ 2,629,856	\$ 2,510,396	\$ 2,854,178	\$ 2,211,912
Judicial administration	2,895,206	3,411,601	1,557,506	383,667	466,318	417,244	344,563	357,168	295,583	320,562
Public safety	13,615,568	10,911,443	12,218,262	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609
Public works	3,703,635	5,906,295	4,292,950	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313
Health and welfare	5,008,964	3,594,679	3,698,572	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435
Education	8,238,374	4,330,237	4,830,237	17,197,953	16,138,195	15,736,678	15,671,852	16,662,510	17,745,962	18,687,553
Parks, recreation, and cultural	1,439,673	996,517	1,007,522	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009
Community development	1,359,235	1,188,198	1,250,442	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913
Nondepartmental	-	-	-	-	-	-	-	-	49,188	46,326
Debt service										
Principal retirement	716,495	726,089	756,236	2,836,320	556,081	1,560,832	592,984	547,673	6,245,308	480,082
Interest and fiscal charges	988,348	719,763	490,720	1,030,786	706,978	375,884	393,841	441,519	785,550	402,324
Totals	<u>\$41,987,655</u>	<u>\$34,920,310</u>	<u>\$32,884,883</u>	<u>\$43,742,971</u>	<u>\$38,579,947</u>	<u>\$36,217,359</u>	<u>\$35,925,985</u>	<u>\$36,135,302</u>	<u>\$43,509,449</u>	<u>\$36,807,038</u>

Note: Includes General, Special Revenue, Debt Service, Permanent, Capital Projects, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements, but are included here as they are a component of the general government function.

City of Franklin, Virginia

Fund Balances - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Post-GASB 54 Implementation										
General Fund										
Nonspendable	\$ 974,974	\$ 971,738	\$ 971,738	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874
Restricted	7,720,063	4,074,068	4,074,068	853,364	504,364	-	-	58,743	98,743	493,480
Committed	549,910	-	70,982	244,349	-	-	-	-	-	7,336
Assigned	920,611	-	415,315	870,130	412,715	286,970	339,363	491,280	658,214	475,028
Unassigned	11,080,837	17,025,224	10,775,904	8,584,579	6,549,082	4,815,905	4,189,190	5,055,159	5,035,674	5,123,487
Total General Fund	<u>\$ 21,246,395</u>	<u>\$ 22,071,030</u>	<u>\$ 16,308,007</u>	<u>\$ 11,522,296</u>	<u>\$ 8,436,035</u>	<u>\$ 6,072,749</u>	<u>\$ 5,498,427</u>	<u>\$ 6,575,056</u>	<u>\$ 6,762,505</u>	<u>\$ 7,069,205</u>
All Other Governmental Funds										
Restricted	\$ 12,397,247	\$ 6,107,060	\$ 7,594,146	\$ 9,499,366	\$ 6,645,988	\$ 3,119,538	\$ 3,452,753	\$ 3,205,897	\$ 2,816,762	\$ 744,137
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	176,428	288,083	161,006	-	-	-	-	-	-	3,126,402
<i>Unassigned, reported in</i>										
Special revenue funds	(40,271)	(6,991)	(1,991)	(29,992)	(65,025)	(33,564)	(19,222)	(431,058)	-	2,845
Capital projects	(2,149,018)	-	-	-	-	-	-	-	-	-
Debt service	(1,264,400)	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 9,119,986</u>	<u>\$ 6,388,152</u>	<u>\$ 7,753,161</u>	<u>\$ 9,469,374</u>	<u>\$ 6,580,963</u>	<u>\$ 3,085,974</u>	<u>\$ 3,433,531</u>	<u>\$ 2,774,839</u>	<u>\$ 2,816,762</u>	<u>\$ 3,873,384</u>
Total All Governmental Funds	<u>\$ 30,366,381</u>	<u>\$ 28,459,182</u>	<u>\$ 24,061,168</u>	<u>\$ 20,991,670</u>	<u>\$ 15,016,998</u>	<u>\$ 9,158,723</u>	<u>\$ 8,931,958</u>	<u>\$ 9,349,895</u>	<u>\$ 9,579,267</u>	<u>\$ 10,942,589</u>

Table 6

City of Franklin, Virginia

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues										
General property taxes	\$ 9,437,150	\$ 8,687,058	\$ 7,852,886	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730
Other local taxes	7,389,123	7,459,894	6,673,465	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058
Permits, privilege fees, and regulatory licenses	189,147	137,112	142,031	108,891	222,025	221,676	200,195	532,781	173,306	239,299
Fines and forfeitures	36,841	41,376	32,313	30,157	26,129	32,044	29,209	34,508	31,899	32,553
Revenue from use of money and property	1,403,890	625,533	2,421,816	567,478	644,792	526,566	620,781	445,878	524,433	433,216
Charges for services	1,914,513	1,905,170	1,896,853	1,819,085	1,789,206	1,800,790	1,488,704	1,356,274	1,375,315	1,433,589
Miscellaneous	1,574,957	1,718,054	1,719,612	1,940,161	1,547,373	1,926,311	1,695,272	1,531,135	1,581,331	1,397,464
Recovered costs	2,572,557	3,444,501	2,226,658	2,250,142	1,624,983	439,819	271,535	238,678	296,988	242,899
Intergovernmental	<u>7,937,477</u>	<u>12,063,886</u>	<u>11,705,346</u>	<u>8,467,026</u>	<u>6,597,375</u>	<u>6,252,683</u>	<u>6,130,028</u>	<u>5,852,460</u>	<u>6,056,065</u>	<u>6,069,592</u>
Total Revenues	32,455,655	36,082,584	34,670,980	29,495,981	26,160,221	24,150,260	23,481,622	22,819,117	22,949,397	22,472,400
Expenditures										
Current										
General government administration	4,022,157	3,135,488	2,782,436	2,966,298	2,807,353	2,567,819	2,629,856	2,510,396	2,854,178	2,211,912
Judicial administration	2,895,206	3,411,601	1,557,506	383,667	466,318	417,244	344,563	357,168	295,583	320,562
Public safety	13,615,568	10,911,443	12,218,262	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609
Public works	3,703,635	5,906,295	4,292,950	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313
Health and welfare	5,008,964	3,594,679	3,698,572	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435
Education	8,238,374	4,330,237	4,830,237	4,830,237	5,037,395	5,037,395	5,181,628	5,043,504	6,563,431	6,892,767
Parks, recreation, and cultural	1,439,673	996,517	1,007,522	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009
Community development	1,359,235	1,188,198	1,250,442	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913
Nondepartmental	-	-	-	-	-	-	-	-	49,188	46,326
Debt service										
Principal retirement	716,495	726,089	756,236	2,741,251	484,895	1,560,832	567,244	547,673	6,245,308	480,082
Interest and other fiscal charges	<u>988,348</u>	<u>719,763</u>	<u>490,720</u>	<u>956,450</u>	<u>613,693</u>	<u>375,884</u>	<u>419,581</u>	<u>441,519</u>	<u>785,550</u>	<u>402,324</u>
Total Expenditures	41,987,655	34,920,310	32,884,883	31,205,850	27,314,676	25,518,076	25,435,761	24,516,296	32,326,918	25,012,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,532,000)	1,162,274	1,786,097	(1,709,869)	(1,154,455)	(1,367,816)	(1,954,139)	(1,697,179)	(9,377,521)	(2,539,852)
Other Financing Sources (Uses)										
Issuance of debt (net of bond issuance costs)	9,549,464	2,143,594	-	5,529,800	6,947,708	-	-	-	6,117,000	1,816,000
General obligation refunding bonds issued	-	-	-	1,895,000	5,000,000	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	(1,815,604)	(6,660,773)	-	-	-	-	-
Transfers in	7,440,778	10,409,415	8,930,873	5,940,887	6,461,840	4,184,983	3,996,654	3,520,736	3,222,004	3,207,161
Transfers out	(5,704,704)	(9,407,853)	(7,836,888)	(4,101,494)	(4,736,045)	(2,590,402)	(2,460,452)	(2,052,929)	(1,767,674)	(1,897,291)
Lease liabilities issued	153,661	62,024	26,997	-	-	-	-	-	-	-
Financed purchase obligations	<u>-</u>	<u>-</u>	<u>162,419</u>	<u>235,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,416</u>	<u>-</u>
Total Other Financing Sources (Uses)	11,439,199	3,207,180	1,283,401	7,684,541	7,012,730	1,594,581	1,536,202	1,467,807	8,032,746	3,125,870
Net Change in Fund Balances	\$ 1,907,199	\$ 4,369,454	\$ 3,069,498	\$ 5,974,672	\$ 5,858,275	\$ 226,765	\$ (417,937)	\$ (229,372)	\$ (1,344,775)	\$ 586,018
Debt Service as a Percentage of Noncapital Expenditures	4%	4%	4%	12%	4%	8%	4%	4%	22%	4%

Table 7

City of Franklin, Virginia										
Net Position by Component										
June 30,										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities										
Net investment in capital assets	\$ 2,729,513	\$ 7,803,909	\$ 4,875,286	\$ 8,919,139	\$ 9,469,367	\$ 10,863,669	\$ 10,902,923	\$ 10,732,282	\$ 7,885,690	\$ 7,820,476
Restricted	12,433,555	1,578,975	6,447,172	7,776,780	2,350,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617
Unrestricted	12,401,524	20,901,822	11,721,428	183,381	986,555	1,086,369	(1,059,512)	411,654	2,268,401	9,783,115
Total Governmental Activities	27,564,592	30,284,706	23,043,886	16,879,300	12,806,685	13,788,851	12,405,349	14,408,576	13,273,195	18,841,208
Business-Type Activities										
Net investment in capital assets	10,613,165	7,896,054	6,686,158	8,817,902	8,665,767	8,872,780	8,410,799	7,563,748	7,194,170	5,967,851
Restricted	1,671,493	1,797,488	2,770,389	3,848,034	2,976,000	-	-	-	-	-
Unrestricted	5,871,067	9,213,316	8,150,316	3,930,855	2,943,644	4,590,061	3,156,563	580,875	(426,206)	1,904,949
Total Business-Type Activities	18,155,725	18,906,858	17,606,863	16,596,791	14,585,411	13,462,841	11,567,362	8,144,623	6,767,964	7,872,800
Primary Government										
Net investment in capital assets	13,342,678	15,699,963	11,561,444	17,737,041	18,135,134	19,736,449	19,313,722	18,296,030	15,079,860	13,788,327
Restricted	14,105,048	3,376,463	9,217,561	11,624,814	5,326,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617
Unrestricted	18,272,591	30,115,138	19,871,744	4,114,236	3,930,199	5,676,430	2,097,051	992,529	1,842,195	11,688,064
Total Primary Government	\$ 45,720,317	\$ 49,191,564	\$ 40,650,749	\$ 33,476,091	\$ 27,392,096	\$ 27,251,692	\$ 23,972,711	\$ 22,553,199	\$ 20,041,159	\$ 26,714,008

City of Franklin, Virginia										
Change in Net Position										
Ended June 30,										
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses										
Governmental Activities										
General government administration	\$ 3,743,699	\$ 1,955,637	\$ 2,765,685	\$ 3,098,212	\$ 3,090,604	\$ 2,688,077	\$ 3,003,717	\$ 2,846,060	\$ 2,656,226	\$ 2,455,287
Judicial	440,200	438,519	528,559	375,494	435,499	417,244	344,563	357,168	307,583	320,562
Public safety	11,387,581	8,373,694	8,873,018	6,546,406	6,723,826	7,408,633	7,723,020	7,653,661	7,037,551	7,924,624
Public works	2,936,356	5,339,201	3,723,882	3,005,726	3,452,223	3,382,461	3,122,262	2,214,262	2,988,081	3,628,604
Health and welfare	3,741,830	3,430,755	3,114,961	4,909,572	2,700,161	2,517,646	2,471,638	1,845,518	2,026,852	2,035,529
Education	8,238,374	4,330,237	4,830,237	4,830,237	5,135,157	5,135,156	5,279,390	5,085,157	6,231,066	6,998,339
Parks, recreation, and cultural	1,234,105	864,291	896,658	808,373	820,768	887,175	747,262	899,851	848,064	904,944
Community development	1,364,677	1,188,198	1,255,804	1,228,955	1,674,377	1,567,150	1,822,617	1,821,402	2,013,965	1,431,913
Interest on long-term debt	1,140,226	715,683	638,179	1,037,636	433,701	297,755	307,416	405,480	758,348	402,324
Total Governmental Activities	34,227,048	26,636,215	26,626,983	25,840,611	24,466,316	24,301,297	24,821,885	23,128,559	24,867,736	26,102,126
Business-Type Activities										
Water and sewer	3,280,762	3,022,216	3,606,945	2,660,986	2,858,645	2,948,740	3,012,357	2,854,187	2,742,836	3,275,718
Solid waste	1,292,248	1,210,746	1,105,456	1,154,711	1,165,884	1,057,729	1,106,538	1,209,202	1,235,963	1,349,119
Electric	15,948,839	15,354,566	13,724,987	11,225,532	12,221,788	12,768,858	12,474,698	12,697,183	13,566,039	14,466,480
Airport	453,070	802,190	494,003	510,794	570,704	551,670	541,774	583,462	515,723	1,365,962
Total Business-Type Activities	20,974,919	20,389,718	18,931,391	15,552,023	16,817,021	17,326,997	17,135,367	17,344,034	18,060,561	20,457,279
Total Expenses	55,201,967	47,025,933	45,558,374	41,392,634	41,283,337	41,628,294	41,957,252	40,472,593	42,928,297	46,559,405
Program Revenues										
Governmental Activities										
<i>Charges for Services</i>										
General government administration	1,377,495	1,100,931	1,366,353	1,100,209	987,874	967,858	763,125	984,336	732,066	242,355
Judicial	-	4,096	2,136	6,764	7,464	10,021	9,910	7,324	11,875	37,251
Public safety	719,246	652,853	501,084	540,797	750,111	795,134	706,782	375,713	416,434	457,629
Public works	24,121	310,109	186,094	305,617	288,459	277,606	230,475	549,664	407,055	960,179
Health and welfare	-	-	3,807	-	-	-	-	-	5,524	(1,594)
Parks, recreation, and cultural	19,639	15,669	11,723	4,746	3,452	3,891	7,816	6,526	7,566	9,621
Operating Grants and Contributions	6,506,944	10,619,015	10,214,365	6,938,274	5,027,350	4,670,394	4,519,994	4,224,244	4,416,976	4,188,762
Total Governmental Activities	8,647,445	12,702,673	12,285,562	8,896,407	7,064,710	6,724,904	6,238,102	6,147,807	5,997,496	5,894,203
Business-Type Activities										
<i>Charges for Services</i>										
Water and sewer	3,868,228	3,641,583	3,624,503	3,308,959	3,264,193	3,304,585	3,250,423	3,573,740	2,904,767	3,045,691
Solid waste	1,409,510	1,359,924	1,347,823	1,312,689	1,313,049	1,283,745	1,293,890	1,373,427	1,305,582	1,365,620
Electric	16,462,030	17,284,862	15,926,305	14,606,746	14,833,882	15,754,257	16,024,281	14,332,022	13,664,164	15,474,300
Airport	99,204	126,348	93,387	90,741	80,435	99,731	135,627	90,836	110,410	132,069
<i>Operating Grants and Contributions</i>										
Water and sewer	-	-	-	-	-	-	91,653	728	-	-
Electric	-	-	-	-	-	-	-	7,383	-	-
Airport	54,582	212,835	27,607	67,631	130,641	329,721	1,419,453	117,003	56,052	1,113,036
Total Business-Type Activities	21,893,554	22,625,552	21,019,625	19,386,766	19,622,200	20,772,039	22,215,327	19,495,139	18,040,975	21,130,716
Total Program Revenues	30,540,999	35,328,225	33,305,187	28,283,173	26,686,910	27,496,943	28,453,429	25,642,946	24,038,471	27,024,919

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities Net Expense	(25,579,603)	(13,933,542)	(14,341,421)	(16,944,204)	(17,401,606)	(17,576,393)	(18,583,783)	(16,980,752)	(18,870,240)	(20,207,923)
Business-Type Activities Net Expense	<u>918,635</u>	<u>2,235,834</u>	<u>2,088,234</u>	<u>3,834,743</u>	<u>2,805,179</u>	<u>3,445,042</u>	<u>5,079,960</u>	<u>2,151,105</u>	<u>(19,586)</u>	<u>673,437</u>
Total Primary Government Net Expense	(24,660,968)	(11,697,708)	(12,253,187)	(13,109,461)	(14,596,427)	(14,131,351)	(13,503,823)	(14,829,647)	(18,889,826)	(19,534,486)
General Revenues and Other Changes in Net Position										
Governmental Activities										
<i>Taxes</i>										
Property taxes	9,324,912	8,835,132	7,883,911	7,682,095	7,846,128	7,689,283	7,506,067	7,223,791	7,304,907	7,037,730
Local sales and use taxes	2,496,737	2,394,886	2,171,099	2,111,038	1,946,296	1,896,307	1,854,694	1,799,419	1,767,781	1,800,368
Consumers' utility taxes	537,474	529,582	542,265	525,033	541,040	539,420	544,306	565,160	574,958	576,452
Business license taxes	1,247,515	1,322,231	1,171,365	1,020,193	1,035,797	959,312	973,005	959,132	969,181	921,270
Motor vehicle license taxes	212,498	214,611	199,297	227,080	184,549	184,638	187,023	185,505	188,080	195,333
Cigarette taxes	290,566	379,132	311,078	337,113	359,057	300,133	298,773	316,662	352,199	373,904
Lodging taxes	190,996	199,864	194,387	178,791	133,484	148,234	170,060	141,318	123,626	149,166
Restaurant food taxes	2,195,747	2,235,378	1,917,888	1,805,178	1,531,440	1,478,018	1,522,481	1,498,567	1,494,137	1,439,601
Other local taxes	217,590	184,210	166,086	145,759	141,400	134,803	137,669	111,660	97,012	129,964
Revenue sharing from counties	868,318	1,113,098	1,076,561	1,118,627	1,051,877	1,224,442	782,345	785,799	709,171	704,969
Revenue from use of money and property	1,403,890	621,055	1,644,053	526,315	644,792	526,566	620,141	445,878	417,798	676,115
Noncategorical aid from state	1,430,533	1,444,871	1,490,981	1,528,752	1,570,025	1,582,289	1,610,034	1,628,216	1,639,089	1,662,463
Miscellaneous	706,639	670,190	643,051	821,534	495,496	701,869	912,927	745,336	872,161	692,495
Transfers	<u>1,736,074</u>	<u>1,001,562</u>	<u>1,093,985</u>	<u>1,839,393</u>	<u>1,725,795</u>	<u>1,594,581</u>	<u>1,536,202</u>	<u>1,467,807</u>	<u>1,454,330</u>	<u>1,309,870</u>
Total Governmental Activities	22,859,489	21,145,802	20,506,007	19,866,901	19,207,176	18,959,895	18,655,727	17,874,250	17,964,430	17,669,700
Business-Type Activities										
Revenue from use of money and property	47,058	50,179	5,399	3,811	30,782	4,325	2,673	1,341	9,495	-
Miscellaneous	19,248	15,544	10,424	12,219	12,404	40,693	23,216	26,244	7,032	-
Transfers	<u>(1,736,074)</u>	<u>(1,001,562)</u>	<u>(1,093,985)</u>	<u>(1,839,393)</u>	<u>(1,725,795)</u>	<u>(1,594,581)</u>	<u>(1,536,202)</u>	<u>(1,467,807)</u>	<u>(1,454,330)</u>	<u>(1,309,870)</u>
Total Business-Type Activities	(1,669,768)	(935,839)	(1,078,162)	(1,823,363)	(1,682,609)	(1,549,563)	(1,510,313)	(1,440,222)	(1,437,803)	(1,309,870)
Total General Revenues and Other Changes in Net Position	21,189,721	20,209,963	19,427,845	18,043,538	17,524,567	17,410,332	17,145,414	16,434,028	16,526,627	16,359,830
Change in Net Position										
Governmental activities	(2,720,114)	7,212,260	6,164,586	2,922,697	1,805,570	1,383,502	71,944	893,498	(905,810)	(2,538,223)
Business-type activities	<u>(751,133)</u>	<u>1,299,995</u>	<u>1,010,072</u>	<u>2,011,380</u>	<u>1,122,570</u>	<u>1,895,479</u>	<u>3,569,647</u>	<u>710,883</u>	<u>(1,457,389)</u>	<u>(636,433)</u>
Total Primary Government	<u>\$ (3,471,247)</u>	<u>\$ 8,512,255</u>	<u>\$ 7,174,658</u>	<u>\$ 4,934,077</u>	<u>\$ 2,928,140</u>	<u>\$ 3,278,981</u>	<u>\$ 3,641,591</u>	<u>\$ 1,604,381</u>	<u>\$ (2,363,199)</u>	<u>\$ (3,174,656)</u>

Table 9

City of Franklin, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections⁽¹⁾⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2024	\$ 9,225,866	\$ 8,598,126	93.20%	\$ 645,104	\$ 9,243,230	100.19%
2023	8,983,505	8,005,346	89.11%	500,641	8,505,987	94.68%
2022	7,983,114	7,294,186	91.37%	394,104	7,688,290	96.31%
2021	8,837,937	8,469,095	95.83%	164,077	8,633,172	97.68%
2020	8,772,671	8,480,104	96.67%	513,624	8,993,728	102.52%
2019	8,307,702	7,964,338	95.87%	265,364	8,229,702	99.06%
2018	8,053,723	7,949,357	98.70%	274,496	8,223,853	102.11%
2017	8,115,389	7,848,696	96.71%	370,728	8,219,424	101.28%
2016	8,124,907	7,990,238	98.34%	292,049	8,282,287	101.94%
2015	7,856,015	7,537,704	95.95%	367,189	7,904,893	100.62%

Source: City of Franklin Commissioner of Revenue⁽¹⁾Exclusive of penalties and interest.⁽²⁾Does not include land redemptions.

Note: Includes Real Estate, Personal Property, Mobile Homes, Machinery and Tools, and Public Service Corporation property. Collections include amounts reimbursed by the state for personal property taxes under the Personal Property Tax Relief Act (PPTRA) of 1998.

Table 10

City of Franklin, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years Ended June 30,

Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Public Service Corporations			Total Direct Tax Rate
					Real Estate	Personal Property	Total	
2024	\$ 627,913,900	\$87,686,257	\$ -	\$1,662,837	\$ 7,777,026	\$ 3,017	\$ 725,043,037	1.20
2023	635,002,705	71,428,226	-	1,292,253	6,446,802	3,017	714,173,003	1.20
2022	552,989,811	77,175,937	-	1,223,323	6,831,427	3,017	638,223,515	1.30
2021	578,298,500	69,480,561	-	1,219,334	8,481,431	3,112	657,482,938	1.30
2020	571,192,990	66,539,922	-	1,205,332	8,387,464	3,262	647,328,970	1.40
2019	558,830,605	67,602,891	-	973,154	8,003,166	3,190	635,413,006	1.30
2018	550,853,846	62,891,034	-	1,000,717	7,535,131	3,262	622,283,990	1.29
2017	551,169,536	64,088,674	-	994,840	6,885,844	9,872	623,148,766	1.43
2016	550,548,631	61,007,684	-	970,081	6,771,272	14,362	619,312,030	1.31
2015	546,840,453	60,195,857	-	928,666 ⁽¹⁾	6,551,183	43,818	614,559,977	1.36

Source: City of Franklin Treasurer

⁽¹⁾Assessed value was reported incorrectly in the 2015 CAFR. The City's loss of a major taxpayer resulted in a significant drop in machinery and tools assessment.

Table 11

City of Franklin, Virginia

Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Real Estate</u>		<u>Personal Property</u>	<u>Mobile Home</u>	<u>Machinery and Tools</u>	<u>Public Service Corporation</u>	
						<u>Real Estate⁽¹⁾</u>	<u>Personal Property</u>
2024	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2023	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2022	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2021	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2020	1.03 / 1.27	⁽⁷⁾	4.50	0.99	2.00	1.03	4.50
2019	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2018	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2017	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2016	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2015	0.96 / 1.20	⁽⁵⁾	4.50	0.96	2.00	0.96	4.50

⁽¹⁾Public Service Corporation property was taxed at basic real estate rates regardless of location.

⁽⁵⁾Downtown district real estate tax rate was \$1.20 and remaining areas were taxed at \$0.96 for real estate.

⁽⁶⁾Downtown district real estate tax rate was \$1.23 and remaining areas were taxed at \$0.99 for real estate.

⁽⁷⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

⁽⁸⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

Source: City of Franklin Commissioner of Revenue

Table 12

City of Franklin, Virginia

Ratio of Net General Bonded Debt to Assessed Value

Last Ten Fiscal Years Ended June 30,

General Bonded Debt Outstanding

<u>Year</u>	<u>Governmental Activities General Obligation Bonds (Net) ⁽¹⁾</u>	<u>Business-Type Activities General Obligation Bonds (Net) ⁽¹⁾⁽⁴⁾</u>	<u>Total General Obligation Bonds (Net) ⁽¹⁾</u>	<u>School Literary Fund Loans</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property ⁽²⁾</u>	<u>Per Capita ⁽³⁾</u>
2024	\$ 29,483,454	\$ 3,828,314	\$ 33,311,768	\$ 1,855,470	\$ -	\$ 35,167,238	5.53%	4,200
2023	22,415,078	4,366,280	26,781,358	-	-	26,781,358	4.18%	3,247
2022	20,936,903	4,921,245	25,858,148	-	-	25,858,148	4.62%	3,147
2021	21,607,322	5,507,212	27,114,534	-	-	27,114,534	4.62%	3,315
2020	18,501,995	5,145,842	23,647,837	-	-	23,647,837	4.08%	2,951
2019	13,623,350	2,675,802	16,299,152	-	-	16,299,152	2.88%	2,034
2018	15,185,642	3,201,762	18,387,404	-	-	18,387,404	3.29%	2,249
2017	15,780,113	3,713,722	19,493,835	-	-	19,493,835	3.49%	2,347
2016	16,354,987	4,211,684	20,566,671	-	-	20,566,671	3.69%	2,422
2015	15,888,999	4,651,400	20,540,399	-	-	20,540,399	3.71%	2,394

Note

⁽¹⁾ General Obligation Bonds are reported net of premiums and discounts for both Governmental and Business-Type Activities.

⁽²⁾ See Table 10 for assessed and estimated actual value of taxable property for assessed value data.

⁽³⁾ See Table 19 for population.

⁽⁴⁾ In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of utility revenues.

City of Franklin, Virginia

Legal Debt Margin Information (in thousands)

Last Ten Fiscal Years Ended June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt limit	\$ 54,684	\$ 55,055	\$ 55,117	\$ 55,085	\$ 55,883	\$ 57,119	\$ 58,678	\$ 55,982	\$ 61,173	\$ 62,791
Total net debt applicable to limit	<u>20,540</u>	<u>20,054</u>	<u>19,011</u>	<u>17,936</u>	<u>15,880</u>	<u>23,259</u>	<u>26,739</u>	<u>25,512</u>	<u>26,464</u>	<u>34,451</u>
Legal Debt Margin	<u>\$ 34,144</u>	<u>\$ 35,001</u>	<u>\$ 36,106</u>	<u>\$ 37,149</u>	<u>\$ 40,003</u>	<u>\$ 33,860</u>	<u>\$ 31,939</u>	<u>\$ 30,470</u>	<u>\$ 34,709</u>	<u>\$ 28,340</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	37.56%	36.43%	34.49%	32.56%	28.42%	40.72%	45.57%	45.57%	43.26%	54.87%

Note: The amounts reported above are presented in thousands.

Assessed value	<u>\$ 627,913,900</u>
Total Assessed Value	<u>\$ 627,913,900</u>
Debt limit (10% of total assessed value)	\$ 62,791,390
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	30,643,864
Business-Type	<u>3,806,200</u>
Net Debt Applicable to Limit	<u>34,450,064</u>
Legal Debt Margin	<u>\$ 28,341,326</u>

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 14

City of Franklin, Virginia

Ratio of Annual Debt Service Expenditures to
Total General Governmental Expenditures

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service⁽¹⁾⁽²⁾</u>	<u>Percentage of Debt Service to Expenditures</u>
2024	\$ 41,987,655	\$ 1,704,843	4.06%
2023	34,920,310	1,445,852	4.14%
2022	32,884,883	1,246,956	3.79%
2021	31,205,850	3,697,701	11.85%
2020	27,314,676	1,098,588	4.02%
2019	25,518,076	1,936,716	7.59%
2018	25,435,761	3,697,701	14.54%
2017	24,516,296	989,192	4.03%
2016	32,326,918	7,030,858	21.75%
2015	36,807,039	882,406	2.40%

⁽¹⁾Includes debt service for all governmental fund types.

⁽²⁾Includes amounts for refunding of debt.

City of Franklin, Virginia

Ratios of Outstanding Debt by Type

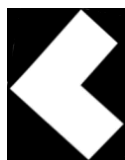
Last Ten Fiscal Years Ended June 30,

Fiscal Year	Governmental Activities General Obligation Bonds (Net)	Business-Type Activities General Obligation Bonds (Net)	Total General Obligation Bonds (Net)	School Literary Fund Loans	Governmental Activities Financed Purchase Obligations	Business-Type Activities Financed Purchase Obligations	Lease Liabilities	SBITA Liabilities	Total Primary Government Total	Total Outstanding Debt as Percentage of Personal Income ⁽¹⁾	Total Outstanding Debt Per Capita ⁽¹⁾
2024	\$ 29,483,454	\$ 3,828,314	\$ 33,311,768	\$ 1,855,470	\$ 111,069	\$ -	\$ 77,286	\$ 120,220	\$ 35,475,813	2.54%	\$ 4,237
2023	22,415,078	4,366,280	26,781,358	-	153,786	-	95,984	-	27,031,128	2.07%	3,278
2022	20,936,903	4,921,245	25,858,148	-	196,303	-	-	-	26,054,451	2.18%	3,171
2021	21,607,322	5,507,212	27,114,534	-	174,269	-	-	-	27,288,803	2.41%	3,336
2020	18,477,185	5,145,842	23,623,027	-	24,810	-	-	-	23,647,837	2.18%	2,968
2019	13,623,350	2,675,802	16,299,152	-	141,009	22,595	-	-	16,462,756	1.55%	2,055
2018	15,185,642	3,201,762	18,387,404	-	256,344	44,650	-	-	18,688,398	1.97%	2,286
2017	15,780,113	3,713,722	19,493,835	-	370,847	66,180	-	-	19,930,862	2.11%	2,400
2016	16,354,987	4,211,684	20,566,671	-	484,548	87,197	-	-	21,138,416	2.27%	2,490
2015	15,888,999	4,651,400	20,540,399	-	156,388	107,714	-	-	20,804,501	2.24%	2,425

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

COMPLIANCE SECTION





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of City Council
City of Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of City of Franklin, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Franklin, Virginia's basic financial statements and have issued our report thereon dated October 3, 2025. Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Franklin, Virginia, a discretely presented component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Franklin, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Franklin, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Franklin, Virginia's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

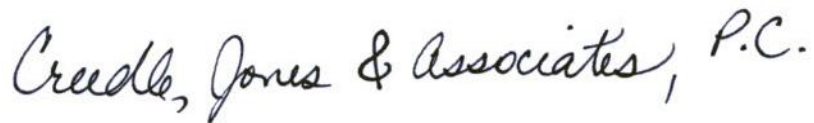
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Franklin, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

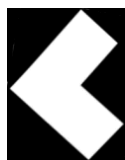
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
October 3, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Members of City Council
City of Franklin, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Franklin, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Franklin, Virginia's major federal programs for the year ended June 30, 2024. City of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the School Board of the City of Franklin, Virginia, a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2024. Our audit described below did not include the operations of the School Board of the City of Franklin, Virginia. The School Board of the City of Franklin, Virginia engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

In our opinion, City of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, the Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Franklin, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Franklin, Virginia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Franklin, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Franklin, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Franklin, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Franklin, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Franklin, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not been identified.

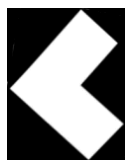
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
October 3, 2025



REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Honorable Members of City Council
City of Franklin, Virginia

We have audited the financial statements of the City of Franklin, Virginia, as of and for the year ended June 30, 2024, and have issued our report thereon dated October 3, 2025.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the City of Franklin, Virginia, is the responsibility of the City of Franklin, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Franklin, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Children Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Franklin, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the City Council, City of Franklin, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
October 3, 2025

City of Franklin, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
Promoting safe and stable families	93.556	765	\$ -	\$ 5,369
Temporary assistance for needy families (TANF)	93.558	765	-	152,715
Refugee and entrant assistance - state administered programs	93.566	765	-	713
Low-income home energy assistance	93.568	765	-	36,555
<i>CCDF Cluster</i>				
Child care mandatory and matching funds of the child care and development fund	93.596	765	-	34,376
Guardianship Assistance	93.090	765	-	209
Title IV-E Prevention Program	93.472	765	-	3,139
Chafee Education and Training Vouchers Program (ETV)	93.599	765	-	741
Stephanie Tubbs Jones child welfare services program	93.645	765	-	142
Foster care - Title IV-E	93.658	765	-	159,615
Adoption assistance	93.659	765	-	31,748
Social services block grant	93.667	765	-	136,981
John H. Chafee foster care program for successful transition to adulthood	93.674	765	-	1,471
Elder Abuse Prevention Interventions Program	93.747	765	-	4,177
Children's Health Insurance Program	93.767	765	-	2,647
<i>Medicaid Cluster</i>				
Medical assistance program	93.778	765	-	229,606
Subtotal - U. S. Department of Health and Human Services			-	800,204
U. S. Department of Agriculture				
Pass-Through Payments				
<i>Department of Social Services</i>				
<i>SNAP Cluster</i>				
State administrative matching grants for the supplemental nutrition assistance program	10.561	765	-	288,885
Subtotal - U. S. Department of Agriculture				288,885
U. S. Department of Justice				
Pass-Through Payments				
<i>Department of Criminal Justice</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	-	5,165
U. S. Department of Homeland Security				
Pass-Through Payments				
<i>Department of Emergency Management</i>				
Emergency management performance grant	97.042	127	-	16,595
Subtotal - U. S. Department of Homeland Security			-	16,595
U. S. Department of Housing and Urban Development				
Pass-Through Payments				
<i>Department of Housing and Community Development</i>				
Community Development Block Grants - Planning grant	14.228	165	-	101,164
Subtotal - U. S. Department of Housing and Community Development			-	101,164
U. S. Department of the Education				
Pass-Through Payments				
<i>Department of Behavioral Health and Development Services</i>				
Special education - Grants for infants and families	84.181	720	229,491	229,491
Subtotal - U. S. Department of Education			229,491	229,491
U. S. Department of the Treasury				
Pass-Through Payments				
<i>Department of Social Services</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	765	-	16,311
<i>Department of Criminal Justice Services</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	151	-	318,000
Subtotal - U. S. Department of Treasury			-	334,311
Total Expenditures of Federal Awards			\$ 229,491	\$ 1,775,815

See accompanying notes to schedule of expenditures of federal awards.

City of Franklin, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Franklin, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

City of Franklin, Virginia has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

The Children's Center, a nonprofit agency providing children ages birth to five with early childhood education services is a subrecipient of the "Grants for Infants and Families with Disabilities" and received federal awards of \$229,491 from the City for the year ended June 30, 2024.

City of Franklin, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

CFDA Number(s)

21.027

10.561

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

SNAP Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.